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**DEPARTMENT OF COMMERCE
DISMANTLING ACT OF 1995**

4. C 73/8:104-48

Department of Commerce Dismantling... **HEARING**

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E5515
(495g)

BEFORE THE
SUBCOMMITTEE ON
COMMERCE, TRADE, AND HAZARDOUS MATERIALS
AND THE
SUBCOMMITTEE ON
TELECOMMUNICATIONS AND FINANCE
OF THE
COMMITTEE ON COMMERCE
HOUSE OF REPRESENTATIVES

ONE HUNDRED FOURTH CONGRESS

FIRST SESSION

ON

H.R. 1756

JULY 24, 1995

Serial No. 104-48

Printed for the use of the Committee on Commerce



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DEPARTMENT OF COMMERCE DISMANTLING ACT

MONDAY, JULY 24, 1995

HOUSE OF REPRESENTATIVES,
COMMITTEE ON COMMERCE,
SUBCOMMITTEE ON COMMERCE, TRADE, AND
HAZARDOUS MATERIALS, AND
SUBCOMMITTEE ON TELECOMMUNICATIONS AND FINANCE,
Washington, DC.

The subcommittees met, pursuant to notice, at 2:30 p.m., in room 2123, Rayburn House Office Building, Hon. Michael G. Oxley (chairman, Subcommittee on Commerce, Trade, and Hazardous Materials) presiding, and Hon. Jack Fields (chairman, Subcommittee on Telecommunications and Finance), cochairing.

Members present: Subcommittee on Commerce, Trade, and Hazardous Materials: Representatives Oxley, Fields, Crapo, Ganske, Frisa, Norwood, White, Bliley (ex officio), Tauzin, Furse, Markey, Brown, Lincoln, Deutsch, Rush, and Dingell (ex officio).

Members present: Subcommittee on Telecommunications and Finance: Representatives Fields, Oxley, Hastert, Frisa, White, Bliley (ex officio), Markey, Hall, Studds, Rush, Furse, and Dingell (ex officio).

Staff present: Charles L. Ingebretson, majority general counsel; Robert Gordon, majority counsel; James E. Derderian, chief of staff; Darlene McMullen, majority legislative clerk; Robert Cimo, majority staff assistant, and David Tittsworth, minority counsel.

Mr. OXLEY. The subcommittee will come to order.

We would first like to welcome our members panel before we have to go into opening statements and then have the Secretary of Commerce.

We are honored today to have 4 of our colleagues who I suspect have different viewpoints on the question at hand, that being the abolition of the Department of Commerce. Let me introduce them from the left to right, and then we can begin our testimony: the Honorable Richard Chrysler from Michigan; also from Michigan our old time friend and colleague, Sandy Levin; John Mica from Florida; and Dave Skaggs from Colorado.

Gentlemen, we are pleased to have you here. Since it is Mr. Chrysler's legislation under consideration, we will begin with his testimony.

STATEMENTS OF HON. DICK CHRYSLER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN; HON. SANDER LEVIN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN; HON. JOHN L. MICA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA; AND HON. DAVID E. SKAGGS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF COLORADO

Mr. CHRYSLER. Well, thank you, it is good to be here.

After several months of careful study, our task force has put forward a well-thought-out, responsible program for dismantling the Department of Commerce over a 3-year period. The plan consolidates duplicative programs, eliminates the unnecessary programs, streamlines the beneficial programs, and privatizes those programs better performed by the private sector.

The plan has bipartisan support and is also endorsed by many former Commerce Department officials. In addition, the elimination of the Department of Commerce was accepted into both the House and Senate budget resolutions earlier this year.

First, I would like to dispel the myth that the Department of Commerce is the advocate for American business in the Federal Government. In my business experience, my company of over 1,200 employees did business in 52 countries, yet not once did I call on the Department of Commerce for their help nor did they call me.

Business leaders of both small and large companies would be far better served if Federal efforts were focused on cutting taxes, enacting regulatory and tort reform, and more importantly, achieving a balanced budget.

Incentives such as these translate into real sustainable economic growth by way of lower interest rates, a boost in capital investment, and the generation of more jobs. Yet the voice for business, the Commerce Department, has been notably silent on these issues.

Commerce's claim that it has been a proven business ally at the Cabinet table holds little weight in the eyes of America's business community. In fact, a June 5 Business Week poll of senior business executives illustrated support for eliminating the Department of Commerce by a 2-to-1 margin.

The Department's own Inspector General notes the Agency has evolved into a loose collection of more than 100 programs. Of these 100 programs, we found that all but 3 were duplicated by 71 other government agencies and/or the private sector. Over half the Department's budget is consumed by the National Oceanic and Atmospheric Administration, an Agency that has nothing to do with commerce.

The functions of this Agency would find a much better home at the Department of Interior. There is no need for the Bureau of the Census to be in the Department of Commerce. This Agency would be better included in the Treasury Department, as our proposal suggests, or as the foundation for an independent central statistical agency, as others suggest.

The Patent and Trademark Office is another Agency that bears little relationship to other programs in Commerce, and because it is already a self-funding program, it pays a 25 percent stipend just to be in the Department of Commerce. This office could be transferred to the Justice Department, where most legal issues of the

Federal Government are addressed or it could be made a government corporation as Chairman Moorhead has suggested.

The technology programs of the Commerce Department amount to little more than corporate welfare, as Labor Secretary Robert Reich has suggested. A prime example of this corporate welfare is the Advanced Technology program, which provides million-dollar grants to some of the Nation's industry giants.

Commerce officials have been forced to defend the entire Department based on its trade functions, yet only 4 percent of the Commerce Department's budget is devoted to trade promotion, a responsibility shared with over 19 other Federal agencies. In fact, Commerce does not even take the lead in U.S. trade programs.

We are not, however, disputing the importance of the trade functions. We understand and agree that we must aggressively pursue foreign markets and provide inroads for American businesses. My colleague here today, Congressman John Mica, has proposed the reorganization of the Federal Government's trade functions into one coordinated Office of Trade. This will begin to consolidate a very fragmented trade policy process in our Federal Government.

The Department of Commerce Dismantling Act provides a blueprint for the orderly termination in a prescribed period of time, a reasonable period of time, eliminating the waste and duplication and has a savings to the American taxpayers of almost \$8 billion over 5 years. This is one step we can and must take to create a more efficient and effective Federal Government.

Thank you.

[The prepared statement and attachment of Hon. Dick Chrysler follow:]

PREPARED STATEMENT OF HON. DICK CHRYSLER, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF MICHIGAN

Mr. Chairman and Members of the Committee, I thank you for allowing me the opportunity to present to you what our task force has proposed in dismantling the Department of Commerce. I know the Committee has a full day, so I will make my remarks brief and ask that a more detailed testimony be included in the record.

After several months of careful study, our task force has laid out a well thought-out, responsible program for dismantling the Department of Commerce. The plan consolidates the duplicative programs, eliminates the unnecessary programs, streamlines the beneficial programs, and privatizes those programs better performed by the private sector.

The plan has bi-partisan support and is also endorsed by many former Commerce Department officials. In addition, the elimination of the Department of Commerce was accepted into both the House and Senate budget resolutions earlier this year.

First, I would like to debunk the myth here within the beltway that the Department of Commerce is the advocate for American business in the Federal Government.

In my business experience, my company of over 1,200 employees did business in 52 countries, yet not once did I call the Department of Commerce for their help, nor did they call me.

Business leaders of both small and large companies would be far better served if Federal efforts were focused on cutting taxes, enacting regulatory and tort reforms, and more importantly, achieving a balanced budget.

Incentives such as these translate into real sustainable economic growth by way of lower interest rates, a boost in capital investment, and the generation of more jobs. Yet the "voice for business" the Commerce Department claims to be has been notably silent on these issues.

Instead of being the advocate for business, Commerce is a Federal department that is involved in everything from managing fish farms in Arkansas to providing Federal grants to build replicas of the Pyramids and the Great Wall of China in Indiana.

Commerce's claim that it has been a "proven business ally at the Cabinet table" holds little weight in the eyes of America's business community. In fact, a June 5th *Business Week* poll of senior business executives illustrated support for eliminating the Department of Commerce by a 2 to 1 margin.

The Department's own Inspector General notes the Agency has evolved into "a loose collection of more than 100 programs." The General Accounting Office goes further, reporting that Commerce "faces the most complex web of divided authorities..." sharing its "missions with at least 71 Federal departments, agencies, and offices."

In fact, of these more than 100 programs, we found that all but three are duplicated by other government agencies or the private sector.

Former Commerce Secretary Robert Mosbacher has called his former Department a "hall closet where you throw everything you don't know what to do with."

While Department of Commerce officials call this disjointed array of functions synergy, the reality is that it amounts to nothing more than confusion.

Over half of the Department's budget is consumed by the National Oceanic and Atmospheric Administration, an Agency that has nothing to do with commerce. The functions of this Agency would find a much better home at the Department of Interior or the Fish and Wildlife Service.

There is no need for the Bureau of the Census to be in a Department of Commerce. This Agency would be better included in the Treasury Department, as our proposal suggests, or as the foundation for an independent central statistical agency as others suggest.

The Patent and Trademark Office is another Agency that bears little relationship to the other programs in Commerce, and because it is already a self-funding program, it pays a 25% stipend just to be in the Department of Commerce. This Office could be transferred to the Justice Department, where most legal issues of the Federal Government are addressed, or it could be made a government corporation as Chairman Moorhead of the Judiciary Intellectual Property Subcommittee has suggested.

The technology programs of the Commerce Department amount to little more than "corporate welfare" as Labor Secretary Robert Reich has suggested. A prime example of this corporate welfare is the Advanced Technology Program, which provides million dollar grants to some of the Nation's industry giants.

Knowing this is the reality the Department faces, Commerce officials have been forced to defend the entire Department based on the limited successes of its trade functions, and in doing so completely miss the mark. Only 5 percent of Commerce's budget is devoted to trade promotion, a responsibility shared with over 19 other Federal agencies. In fact, Commerce does not even take the lead in U.S. trade programs, as Department officials would lead you to believe.

We are not, however, disputing the importance of many of the trade functions currently performed by the Commerce Department. We understand and agree that we must aggressively pursue foreign markets and provide in-roads for American businesses.

My colleague, Congressman Mica, has proposed the reorganization of the Federal Government's trade functions by combining the trade functions of the Commerce Department, the Office of the United States Trade Representative, and the Trade and Development Agency into one coordinated Office of Trade. This will begin to consolidate a very fragmented trade process in our government.

As you can see, it makes no sense for these diverse and disjointed functions to be huddled together in one Department of Commerce. The wholesale approach in defending the status quo at the Department, lumping the good with the bad, the efficient with the wasteful, is symptomatic of how we got into our deficit mess in the first place.

The Department of Commerce Dismantling Act provides a blueprint for the orderly termination of this bureaucracy, eliminating the waste and duplication, streamlining the beneficial programs, and saving the American taxpayers almost \$8 billion over 5 years. This is one step we can and must take to create a more efficient and effective Federal Government.

THE DEPARTMENT OF COMMERCE DISMANTLING ACT

Legislative Summary

Former Commerce Secretary Robert Mosbacher recently called the Department, "nothing more than a hall closet where you throw everything that you don't know what to do with."

The Department of Commerce has evolved into "a loose collection of more than 100 programs" according to the Agency's own Inspector General. The General Accounting Office goes further, reporting that the Department "faces the most complex web of divided authorities" sharing its "missions with at least 71 Federal departments, agencies, and offices." Its bureaucracy is bloated, its infrastructure is in disrepair, and more than 60 percent of its resources are dedicated to activities completely unrelated to its mission. Former Commerce Department officials recently testified before the House Budget Committee that the few unique functions contained in Commerce suffer under the multiple tiers of bureaucracy and its 263 political appointees.

Today's Department of Commerce cannot be "reinvented." Its problems can only be solved if it is dismantled. The Department of Commerce Dismantling Act was drafted by a House and Senate Task Force consisting of Members of Congress, Senators, former Department officials, and outside experts, with the following four principles as a guide:

- Those programs deemed unnecessary or wasteful are terminated.
- Those programs duplicative of other departments or agencies are consolidated.
- Those programs that serve a valid purpose are transferred to more appropriate agencies.
- Those programs which can be better performed outside the government will be privatized.

Following is a brief agency-by-agency description of the legislation. The terminations, transfers and consolidations are to be completed over a 36-month period under the direction of a temporary Commerce Programs Resolution Agency. The savings indicated are preliminary Congressional Budget Office figures over 5 years.

Administrative Functions

The Office of the Secretary, General Counsel, Inspector General, and other administrative functions are terminated.

Estimated Savings: \$250 million.

Economic Development Administration

The EDA provides grants and assistance to loosely-defined "economically depressed" regions. EDA's functions are duplicated by numerous other Federal agencies including the Departments of Agriculture, HUD, and Interior, the Small Business Administration, the Tennessee Valley Authority and the Appalachian Regional Commission. The parochial nature of the program often targets EDA grants to locations with healthy economies which do not need Federal assistance. The EDA is terminated and its grant programs eliminated, transferring outstanding obligations to the Treasury Department for management or sale.

Estimated Savings: \$1.139 billion.

Minority Business Development Agency

Although MBDA has spent hundreds of millions on management assistance—not capital assistance, since 1971, the program has never been formally authorized by Congress. The MBDA's stated mission, to help minority-owned businesses get government contracts, is duplicated by such agencies and programs as the Small Business Administration and its failed 8(a) loan program, and Small Business Development Centers, along with the private sector. The MBDA would be terminated and its 98 field offices closed.

Estimated Savings: \$183 million.

United States Travel & Tourism Administration

This Administration seeks to promote travel and tourism in the United States through trade fairs and other promotional activities. According to the Heritage Foundation, "the Agency often works with private sector organizations, including the Travel Industry Association of America, to organize events such as the 'Discover America Pow Wow' or the 'Pow Wow Europe.' There is no justification for Federal

involvement in such promotional activities of a commercial nature." Because functions such as these are already extensively addressed by States, localities, public sector organizations, and the private sector, the USTTA is immediately terminated.

Estimated Savings: \$75 million.

Technology Administration

The Technology Administration currently works with industry to promote the use and development of new technology. Because government in general, and the Federal Government in particular, is poorly equipped to "pick winners and losers" in the marketplace—frequently allowing political criteria rather than market criteria determine the choice—this Agency is terminated, including the Offices of Technology Policy, Technology Commercialization, and Technology Evaluation and Assessment.

The Industrial Technology Service programs, including the Advanced Technology Program (ATP) and the Manufacturing Extension partnerships, are terminated; these programs are often cited as prime examples of corporate welfare, wherein the Federal Government invests in applied research programs which should be conducted in the private sector.

The weights and measures functions of the National Institute for Standards & Technology would be transferred to the National Science Foundation. The National Technical Information Service, a clearinghouse for technical government information, would be privatized.

Estimated Savings: \$1.872 billion.

National Telecommunications and Information Administration

The NTIA, an advisory body on national telecommunications policy, would be terminated, including its grant programs. Federal spectrum management functions would be transferred to the Federal Communications Commission.

Estimated Savings: \$315 million.

Patent & Trademark Office

Providing for patents and trademarks is a Constitutionally-mandated government function. Our proposal would transfer this office to the Justice Department, requiring the PTO to be supported completely through fee collection.

Estimated Savings: \$375 million.

Economic & Statistics Administration

The Bureau of the Census, another Constitutionally-mandated function, is transferred to the Treasury Department. Select General Accounting office recommendations for savings at the Bureau would be implemented. The Bureau of Economic Analysis is transferred to the Federal Reserve System to ensure the integrity of data. The superfluous ESA bureaucracy would be eliminated.

Estimated Savings: \$827 million.

National Oceanic & Atmospheric Administration

While the activities of NOAA are only tangentially related to the promotion of commerce, it makes up over 40% of the Department of Commerce budget. The individual functions of this Agency would be sent to more appropriate agencies or departments:

National Marine Fisheries Service—The enforcement functions of this Agency would be transferred to the Coast Guard, while the scientific functions would be transferred to the Fish and Wildlife Service. Seafood inspection would be transferred to the Department of Agriculture, which already carries out most food inspection programs. State fishery grants and commercial fisheries promotion are terminated.

National Ocean Service—Geodesy functions are transferred to the U.S. Geological Survey. Coastal and water pollution research duplicated by the Environmental Protection Agency is terminated. Marine and estuarine sanctuary management would be transferred to the Interior Department, which already manages some fisheries. Nautical and aeronautical charting is privatized, as the private sector undertakes this activity already.

National Environmental Satellite, Data & Information Service—The weather satellites of this Agency are transferred to the National Weather Service to consolidate these functions, while the NESDIS data centers would be privatized.

Office of Oceanic & Atmospheric Research—Because many of its activities are duplicative of other federal agencies or could be better served by the

private sector, this office is terminated. The labs which could operate in the private sector will be sold and the remaining labs will be transferred to the Interior Department.

NOAA Corps—The NOAA Corps is terminated and its vessels sold to the private sector. Services can be obtained in the private sector and its fleet is in disrepair.

Estimated Savings: \$2.338 billion.

Bureau of Export Administration

The BXA is one of several agencies responsible for monitoring U.S. exports that may compromise national security. Because this function remains important to the country, our legislation would reassign these functions as follows:

Export Licensing Functions transferred to the State Department—The determination of export controls would be transferred to the State Department, where some licensing functions are already performed. The United States Trade Representative would advise the State Department in disputed cases.

Export Enforcement Functions transferred to Customs Service—The Customs Service, which already has the staff, expertise, and facilities, would enforce the export licensing determined by the State Department.

Estimated Savings: \$91 million.

International Trade Administration

The Department of Commerce claims to be the lead in trade promotion, but actually plays a small part. Five percent of Commerce's budget is dedicated to trade promotion, and it comprises only 8 percent of total Federal spending on trade promotion. The ITA is the primary trade Agency within the Department of Commerce. Our legislation would transfer the offices of the ITA to agencies where their functions may be better performed:

Import Administration transferred to the Office of the United States Trade Representative—The USTR, which already plays a role in this area, would make determinations of unfair trade practices.

U.S. and Foreign Commercial Service transferred to the Office of the United States Trade Representative—The domestic component of USFCS is terminated, and the foreign component would be transferred to the Office of the United States Trade Representative, which already takes the lead in trade policy.

Trade Development Functions terminated—The functions of this office would be terminated and replaced with a series of Industry Advisory Boards, composed of representatives from the private sector to provide advice to policy makers, at no cost to the Federal Government.

Estimated Savings: \$294 million.

Total Savings Over 5 Years: \$7.765 Billion.

DEPARTMENT OF COMMERCE

Mission	Agency	Dollars	Description	Past Proposal
Economic Development	Economic Development Admin.	347	Provides economic development grants, loans & guarantees	Consolidate with oher development programs & reduce
	International Trade Admin.	247	Promotes trade, develops policy & investigates anti-dumping	Eliminate trade promotion activities
	Export Admin.	42	Prevents illegal distribution of controlled U.S. goods	Downsize
	Minority Business Development Agency	48	Provides advocacy, mgt. assistance & info. to minority businesses	
	U.S. travel & Tourism Admin.	20	Promotes Internat'l tourism in U.S.	Eliminate; increase user fees
Statistics	Bureau of the Census	291	Performs current & periodic census	
	Economic & Statistical Analysis	53	Collects & interprets nat'l, regional & internat'l economic stats.	
	Patent & Trademark Office	54		Increase user fees
Science	National Oceanic & Atmospheric Admin.	1900	Supports weather service, fisheries, environmental research, mapping & navigational research	Freeze funding; increase fees
	National Technical Info. Service	12	Acquires & sells domestic & internat'l research reports & info.	
	National Institute of Standards & Tech.	527	Measures & develops research standards & provides tech. research grants	Eliminate technology grants
	Nat'l Telecom. & Info. Admin.	68	Policy advisor on domestic & internat'l communications, spectrum mgt. public broadcasting grants & info. highway grants	
General Admin.	General Administration	33		General overhead reductions
	Inspector General	20		

Note: Spending represents 95 outlays.

STATEMENT OF ROBERT A. MOSBACHER, FORMER COMMERCE SECRETARY

I'm proud to stand shoulder to shoulder today with these congressional leaders to call for an end to "business as usual" at the Commerce Department.

As accomplished as some of this afternoon's speakers may be, there is no more eloquent a statement than the one made by the American people last November. Americans called for radical reform in their government and today's true congressional leaders are striving to deliver on a smaller, more efficient and less expensive Federal Government.

The legislation announced today is long overdue. Having served for 3 years as U.S. Secretary of Commerce under President Bush and with 40 years in the private sector as Chairman and CEO of Mosbacher Companies, I have come to the conclusion that the bureaucracy we know as the Commerce Department is no longer necessary. I've testified before the Congress advocating this position, and I've stood before with Members of Congress endorsing this move.

I know firsthand the strengths and weakness of this enormous Federal Agency. The Department's mission, to "enhance economic opportunity for all Americans," has been so diluted—by the more than 100 programs, and shared authorities with at least 71 other Federal programs—that there's just no bang left in the buck. Decades of uncoordinated mandates have left the Department with a bureaucratic fat content so high that Congress should declare it unfit for taxpayer consumption.

The various functions of the Department of Commerce should either be privatized, consolidated, localized, or eliminated.

Now, there are some very important functions that simply must be maintained. First and foremost is in the field of international trade, where the Department of Commerce is charged with maintaining a level playing field for American exporters. As long as our international trade competitors are skewing markets, we will need to promote—not subsidize—U.S. exports. If the United States is going to compete successfully—based on merit, quality and price—then our manufacturers need a tough referee to enforce fair play. This is a critical function in the emerging global marketplace, especially when one considers that trade generated 60 percent of U.S. economic growth this decade. I believe a studied review of the Department of Commerce will show that consolidation of the Department's key international trade functions with those of the U.S. Trade Representative (USTR) and the International Trade Commission is the way to go.

This issue isn't so much about money as it is empowerment; about putting the American people back in charge of their destiny. Federal directives did not create the most democratic and progressive government known to man. The American people did that and we must ensure that the same opportunities exist for our children and grandchildren. Sadly, most of the Department of Commerce embodies government incursion that is both unnecessary and far too expensive to continue.

BUSINESS LEADERSHIP COUNCIL,
Washington, DC, June 9, 1995.

HON. SPENCER ABRAHAM
U.S. Senate, 245 Dirksen Senate Office Building
Washington, DC

DEAR SENATOR ABRAHAM: The Business Leadership Council, a newly-formed business association of entrepreneurial business leaders who are committed to working to limit the size of government and to expand global economic growth, strongly endorses the Abraham-Chrysler Commerce Department Dismantling Act of 1995.

BLC represents businesses of all types and sizes who want what is best for America, rather than a perk or subsidy that may be best in the narrow, short-term, self-interest of their individual business. Its members are willing to take bold, principled positions and are not afraid to confront the status quo. They recognize that, although some of their businesses may benefit from particular Commerce Department programs, it is clear America is better off saving the money, reducing subsidies, and eliminating unnecessary regulations.

For that reason, we enthusiastically support the dismantling of corporate welfare, whose voice in the cabinet has been the Commerce Department. The old established business groups fear the wrath of their members who enjoy corporate pork and therefore will not take a stand on this controversial issue. BLC, on the other hand, applauds your efforts to abolish unnecessary, duplicative, wasteful programs and save the taxpayers \$7.8 billion over the next 5 years. In these times, when Congress is endeavoring to balance the budget and reduce the size and scope of the Federal Government, the business community must do its part.

Sincerely,

THOMAS L. PHILLIPS,
Chairman of the Board of Governors.

NATIONAL TAXPAYERS UNION,
June 14, 1995.

HON. SPENCER ABRAHAM
U.S. Senate, 245 Dirksen Senate Office Building
Washington, DC

DEAR SENATOR ABRAHAM: National Taxpayers Union is pleased to endorse the "Commerce Department Dismantling Act of 1995," as proposed by you and Congressman Dick Chrysler. Your excellent proposal will streamline the Federal Government and provide significant savings for America's taxpayers.

The terminations, transfers and consolidations provided in your proposed legislation would be completed over a 36-month period. The "Abraham/Chrysler Act" would save \$7.765 billion over 5 years.

The General Accounting Office has reported that the Commerce Department "faces the most complex web of divided authorities," sharing its "missions with at least 71 Federal departments, agencies, and offices." Your bill will finally end this wasteful duplication.

Again, NTU is pleased to endorse the "Abraham/Chrysler Commerce Department Dismantling Act of 1995." We urge your colleagues to join you in this effort.

Sincerely,

DAVID KEATING,
Executive Vice President.

SMALL BUSINESS SURVIVAL COMMITTEE,
Washington, DC, June 7, 1995.

HON. SPENCER ABRAHAM
United States Senate
Washington, DC

DEAR SENATOR ABRAHAM: Every so often, a piece of legislation crosses my desk that the Small Business Survival Committee (SBSC) can support without any reservations. "The Commerce Department Dismantling Act of 1995" is such a legislative act.

First, let me compliment you on your four straightforward principles for evaluating the Commerce Department. They should serve as a guide for reviewing every Federal Government Department:

- terminating unnecessary and wasteful programs;
- consolidating programs duplicative of other departments or agencies;
- transferring valid programs to more appropriate agencies;
- privatizing programs which can be better performed in the private sector.

Federal Government spending has been out of control for decades. The Commerce Department, with its myriad unnecessary and duplicative programs, serves as one of the most glaring examples of wasting taxpayer dollars. The elimination of the Department of Commerce will send a loud and clear message to the American people—business-as-usual, big-government politics is finished. Indeed, eliminating the Commerce Department would be an historic step toward bringing some sanity back to the Federal Government, while saving U.S. taxpayers an estimated \$7.8 billion over 5 years.

"The Commerce Department Dismantling Act of 1995" offers a sound plan for eliminating programs within the Commerce Department that government should not be undertaking in the first place (e.g., the United States Travel & Tourism Administration); for moving programs to more appropriate areas of the Federal Government (e.g., the Bureau of the Census and the Bureau of Economic Analysis); or for privatizing programs (e.g., the National Technical Information Service).

Naturally, every Federal department or program has a vocal special interest attached to it. The Commerce Department is no different. Indeed, a small part of the business community likely will oppose the termination of the Commerce Department. Please rest assured that any business voices raised in support of the Commerce Department will be a very small minority. America's entrepreneurs have little use, if any, for the U.S. Department of Commerce.

The best agenda for entrepreneurs, business and the economy is clear: deregulation, tax reduction, and smaller government. Eliminating the Department of Commerce has the full support of SBSC and our more than 40,000 small business mem-

bers. The time has come to rein in Federal Government spending, and the Department of Commerce is a fine place to start.

Sincerely,

KAREN KERRIGAN,
President.

COMPETITIVE ENTERPRISE INSTITUTE,
Washington, DC, February 10, 1995.

An Open Letter to Members of Congress:

The Competitive Enterprise Institute (CEI) strongly supports congressional efforts to eliminate the Departments of Energy, Commerce, HUD, and Education.

In his new book, *Government: America's #1 Growth Industry*, economist Stephen Moore documents the relentless growth of government over the past four decades:

- Taxes at all levels now consume more than \$1 of every \$3 of worker income, up from \$1 of every \$4 in 1950, and \$1 of every \$9 in 1930. Federal taxes alone take almost 5 percent of a typical middle-income family's earnings, up from 4 percent in 1950.

- Government today spends almost 37 percent of GDP, up from 31 percent in 1970, and 21 percent in 1950. Federal spending in real dollars has grown sixfold since 1950, 200 percent since 1970, and 50 percent since 1980.

- From 1950 to 1980, the Federal Register grew from 12,000 to 87,000 pages of regulations. Ronald Reagan reduced regulations to 48,000 pages in 1985, but the number of pages has shot back up to over 70,000 today. Complying with Federal regulations now costs the economy at least \$400 billion annually—about \$4,000 for every household in the U.S. each year.

Chronic \$200 billion deficits are only the most obvious sign that our government has become unaffordable. The first step to making government affordable again is to dismantle every agency that is not essential to national security and prosperity. Far from being essential, DOE doesn't pay our gas and electric bills, Commerce doesn't run our businesses, Education doesn't teach a single child, and HUD doesn't develop urban neighborhoods. Indeed, these agencies meddle in affairs more suitably managed by the states or the private sector, and are a source of much mischief besides.

CEI applauds those in Congress who seek to amputate the tentacles, not merely remove the barnacles and blemishes, of the tax-and-spend regulatory Leviathan.

Sincerely,

MARLO LEWIS, JR.,
Executive Director.

GAO TRANSITION SERIES

COMMERCE ISSUES

The Department of Commerce is a large, diverse agency responsible for numerous programs that cut across core national issues, including trade, technology, competitiveness, industry, environment, and economic activity. Commerce's missions include fostering technology, stimulating and regulating international trade, promoting commerce, analyzing social and economic activity, and studying the environment and natural resources.

Four years ago, we identified several important areas needing action at Commerce, including improving export promotion activities and controls, addressing problems associated with the decennial census, and monitoring progress on a new automated patent system. These are still relevant issues, though Commerce has made some improvements in export-related activities.

This report discusses the need for Commerce to (1) focus its missions on improving competitiveness and play a more significant role among the many federal agencies that share responsibility for that goal; (2) invest in infrastructure—which, according to Commerce's estimates, may require at least \$7.4 billion over 15 years, including \$4.6 billion for modernizing the National Weather Service; (3) improve economic statistics to overcome concerns about their quality and coordination; and (4) change planning and decisionmaking for the 2000 Census to ensure that accuracy will not continue declining or costs will not continue rising. Census Bureau planning staff estimated that if the current approach to taking the census is retained for 2000, the costs could rise to about \$4.8 billion in current dollars, from \$2.6 billion in 1990.

Enhancing the Federal Government's ability to spur economic growth by increasing competitiveness is one key to economic security. Commerce, with its programs in technology, trade, statistics, telecommunications, and industrial development, has a role in this effort. Its programs are at the heart of Federal efforts to foster both near-term and long-term improvements in the productivity of the U.S. economy.

The current organization of the Federal Government may not maximize the nation's capacity to improve productivity and competitiveness. A number of congressional bills and private sector reports have offered proposals aimed at improving the Federal approach to this important issue. They propose restructuring programs and agencies that deal with the major elements of competitiveness, such as international trade and technology, and generally suggest significant changes to Commerce's present missions or organizational structure.

With the growing convergence of sentiment on this issue, both inside and outside the government, there will likely be attempts to reorder the Federal approach to competitiveness. If it is determined that Commerce should play a key role in enhancing and promoting competitiveness, the Secretary must be ready to address two issues that impair Commerce's ability to achieve that aim. First, Commerce will need to better focus its mission on improving and promoting competitiveness. Second, Commerce will need to play a more significant role among the various Federal agencies that share responsibilities for improving competitiveness.

Commerce is in a unique position to promote competitiveness because it combines many of the essential elements of government programs necessary to meet the goal—statistical analysis, international trade technology promotion, telecommunications, and economic development. However, Commerce's Inspector General (IG) has described Commerce as a loose collection of more than 100 programs delivering services to about 1,000 customer bases. While many programs are directly related to the goal of supporting commerce and industry, many others are, at best, only distantly connected to this goal.

The majority of Commerce's limited resources are applied to tasks that do not have a tangible impact on improving competitiveness. For example, in fiscal year 1993, an estimated 59 percent of Commerce's budget and 37 percent of its staff is to be allocated to the National Oceanic and Atmospheric Administration (NOAA) for weather, oceanic research, and other activities—which are only tangentially related to improving and promoting competitiveness. In this environment, it is difficult to apply sufficient resources and attention to all necessary activities and mission priorities.

If Commerce is to play a key role in enhancing and promoting competitiveness, the Secretary will need to formulate and set forth a strategy that taps into Commerce's inherent potential toward this end. At the outset of developing a strategy, the Secretary will need to carefully examine current components of Commerce and work with the Office of Management and Budget (OMB) and Congress to consider spinning off or eliminating those components that do not fit, while clarifying the roles and interconnections among those that do. Further, because the programs in Commerce do not encompass all the essential elements of improving competitiveness and productivity, the strategy should ensure that Commerce's programs are consistent with other agencies' efforts.

The Secretary will also need to address the fundamental problem that Commerce lacks the prominence and resources to play a significant role in improving competitiveness. While many Federal departments share mission-related functions and programs with other departments and agencies, Commerce likely faces the most complex web of divided authorities. For example, Commerce shares its missions with at least 71 Federal departments, agencies, and offices. Further, Commerce has traditionally taken a back seat to departments that had more prominent status, greater resources, and higher national priority in the Cold War world.

Now, in the post-Cold War era, the issues traditionally administered by Commerce have gained new priority and could push Commerce to a potential leadership position. Yet Commerce does not control a majority of the resources devoted to missions it shares with other agencies. For example, export promotion programs are distributed among 10 agencies. The U.S. Department of Agriculture, not Commerce, receives about 74 percent of total funding for these programs, although it accounts for only about 10 percent of U.S. exports.

If the incoming administration and the Congress determine that Commerce is to play a central role in improving competitiveness, then Commerce should occupy a more central position in the system of Federal programs meant to achieve this end. To do so, the Secretary needs to work with the President, other Secretaries, and the Congress either to (1) secure clearer lines of coordinating authority over related programs in other agencies or (2) relocate those related programs into Commerce.

[May 30, 1995]

TRADE WILL GO ON, EVEN WITHOUT COMMERCE

[By Dick Chrysler]

Former Commerce Secretary Robert Mosbacher recently called his old department, "nothing more than a hall closet where you throw in everything that you don't know what to do with." The Department's own inspector general reports that the agency is "a loose collection of more than 200 programs."

The General Accounting Office echoes these themes in concluding the Department of Commerce "faces the most complex web of divided authorities" sharing its "mission with at least 71 federal departments, agencies, and offices."

If ever there was a department that needed to be dismantled, it is the Department of Commerce.

Three months ago a group of Members of Congress and former Cabinet secretaries gathered to announce a goal that had been unthinkable in previous sessions of Congress: the elimination of the departments of Commerce, Education, Energy, and Housing and Urban Development.

Today, our goal isn't as unthinkable as some would have believed. Senate Majority Leader Bob Dole recently announced his support of these eliminations and appointed a Senate task force to look into the project. Additionally, both the House and Senate budget resolutions call for the elimination of the Department of Commerce.

We said back in February that it was time to put the Department of Commerce out of business, and we promised to have specific legislation to do just that by the spring. Last week we unveiled the vehicle to achieve the goal: the Department of Commerce Dismantling Act.

Our Commerce Task Force spent the past three months studying every program in the department, putting each under the microscope. We asked three questions of every program;

- First, is this program necessary? Is it worth borrowing the money to pay for it, only to have our children pay it back?
- If it is necessary, does the federal government need to be involved, or is this something better left to the states, communities or individuals?
- If the federal government does need to be involved, are we currently doing the job in the most effective and efficient manner?

We found that the Department of Commerce cannot be "re-invented." Its problems can only be solved if it is dismantled. The product of our analysis is a specific, step-by-step plan that will shut its doors.

Of all the programs in the Department of Commerce, we found three to be unique: Census, patents and trademarks, and weights and measures. These programs are transferred to more appropriate homes where their jobs can be done better.

Over half of the department's resources have little or no relationship to commerce. About 50 percent of the agency's budget and some 35 percent of its staff are consumed by the National Oceanic and Atmospheric Administration.

Billions of taxpayer dollars are given away every year for such things as fisheries promotion, travel and tourism fairs, and pork barrel projects for loosely defined "economically depressed" areas. The Department of Commerce is also notorious for programs that amount to nothing short of corporate welfare. As Labor Secretary Robert Reich has said, these should be ended.

While trade promotion activities are considered one of the department's more important functions, these activities account for 4 percent of its budget. At least 11 different federal agencies currently play some role in trade promotion. Our proposal begins to consolidate a fragmented system.

By cutting the unnecessary and wasteful programs immediately, we will save American taxpayers billions of dollars. By consolidating the beneficial programs, we are creating a government that makes more sense. Our proposal will save American taxpayers more than \$7.765 billion over the next five years. This is not just a reckless effort to slash programs for the sake of cutting government. If we found that a program was unnecessary, we eliminated it. If it was duplicative, we consolidated it. If a program was better performed by the private sector, we privatized it. And if a program was beneficial we streamlined it.

Our legislation also creates a Resolutions Agency that will wind up the affairs of the Department over a three year period.

As we said in February, the November election was a clear call for a smaller, more efficient, more focused federal government. Our plan to dismantle the department delivers on this mandate that is too big and spends too much money.

WASHINGTON TIMES

[June 16, 1995]

RON BROWN MAKES A GOOD TRY AT DEFENDING HIS INDEFENSIBLE DEPARTMENT

We read with interest Commerce Secretary Ronald Brown's defense of his department on your June 6 Op-Ed page ("The compelling case for Commerce"). Mr. Brown has the unenviable task of defending what is perhaps the least defensible department in Washington.

Mr. Brown pleaded his case with vigor and enthusiasm, touting successes within the Department of Commerce—primarily in the area of export promotion. Limited successes and good intentions in just one small segment of the bureaucracy, however, cannot justify the billions of taxpayer dollars that are poured into the department each year.

In basing his defense of the entire department on the activities of its trade functions, Mr. Brown misses the mark. Only 5 percent of Commerce's budget is devoted to trade promotion, a responsibility the department shares with 19 other federal agencies! Moreover, our legislation to eliminate the department does not kill these activities; much of the Import Administration and the Foreign Commercial Service are transferred to the U.S. Trade Representative (USTR). The USTR is every bit the business advocate Mr. Brown's Commerce Department claims to be, without the six under-secretaries, 263 political appointees and 36,000 bureaucrats.

Regarding the majority of the Commerce Department's activities, what Mr. Brown calls "synergy" others have labeled confusion. Former Commerce Secretary Robert Mosbacher has labeled the department "nothing more than a hall closet where you throw in everything that you don't know what to do with." There is no rationale for huddling the nation's weather service, patent office and census bureau under the same administrative umbrella. Our legislation would move these agencies to more appropriate areas of the government.

Finally, Mr. Brown's spirited defense of *all* the Commerce Department's functions, absent any sense of proportion, undermines his whole argument. For example, far from using the "latest technology" to save lives and property, the National Weather Service is actually the second largest purchaser of vacuum tubes in the United States! According to the General Accounting Office, efforts to modernize the service are years behind schedule and billions over budget.

This wholesale approach, lumping the good with the bad, the efficient with the wasteful, is symptomatic of how we got into our deficitness in the first place. The Republican effort to eliminate the Commerce Department is based upon the same fundamental principles of limited and efficient government that the electorate overwhelmingly supported last November. It is a reasonable approach to restore some much-needed fiscal sanity to our federal government, making it smaller and less costly, yet more efficient.

Dick Chrysler
U.S. House of Representatives
Spencer Abraham
U.S. Senate
Washington

JOURNAL OF COMMERCE

[June 22, 1995]

COMMERCE DEPARTMENT SEEN LESS VITAL THAN DEFICIT CUT—BUSINESS SUPPORT
WANES FOR AGENCY

[By Richard Lawrence]

Washington—The Commerce Department, struggling against its abolition by Congress, is mustering little business support.

Although Commerce is the business community's most vocal supporter in the administration, most business executives say budget deficit reduction is more important than retaining an advocate in the Cabinet.

However, there is growing support that Commerce's duties, especially regarding international trade, be distilled into a new Cabinet-level trade agency.

House and Senate leaders agreed last week to a budget resolution to eliminate the department by fiscal 1999, although some of its functions, such as the Census Bureau, Patent Office, Weather Bureau and import and export administrations would be transferred to other agencies or made independent.

The resolution, however, is not binding, and senior Commerce officials maintain that "at the end of the day" the Commerce Department will prevail.

"I'm optimistic," said Jim Desler, a Commerce Department spokesman, "that the department's essential functions will remain intact, although there may be some (funding) cuts." Business support for Commerce is gaining momentum, he said, and will likely become more visible as the congressional proposals are more closely analyzed.

The department's fate will be up to a number of congressional authorizing and appropriations committees, though the president could have the final say. An early tip as to how Congress may proceed may come Wednesday when a House Appropriations subcommittee takes up Commerce's fiscal 1996 funding.

To survive, Commerce officials acknowledge, the department probably needs solid support from business groups, in particular small and medium-sized firms, but that has not yet come.

A spokesman for the National Federation of Independent Business Inc., which represents more than 600,000 small businesses, finds among federation members little support for keeping the Commerce Department. It is more important, they feel, to cut the federal deficit than save Commerce, he said.

The U.S. Chamber of Commerce reports its members feel the same. The key, says Willard Workman, the chamber's vice president-international, is that lower budget deficits translate into lower interest rates and higher profit. Commerce's budget runs about \$4.8 billion a year.

"I've received only four phone calls from member companies asking that we lead the effort to save the department," Mr. Workman said. The chamber has more than 200,000 members.

But, he added, the chamber is open to proposals to consolidate the administration's trade functions, in particular the export controls bureau and the import administration, which investigates unfairly priced imports. Those functions must be retained, he said.

Others are more directly suggesting a possible new trade agency. The National Association of Manufacturers, in a letter to a House Appropriations subcommittee, argues that "some elements of Commerce's trade and export functions should remain together under the leadership of a Cabinet-rank official."

A similar call came from the Emergency Committee for American Trade, which represents 60 U.S. based multinational firms. U.S. business, like labor and agriculture, must have Cabinet-level representation, said Robert McNeill, the group's executive vice-chairman.

Business spokesmen and the Commerce Department clearly share one view: strong opposition to a House Republican bill to scatter Commerce's trade functions to different agencies.

Meanwhile, support for a unified trade agency seems to be growing in Congress, although proposals differ over how this would be done.

Senator Christopher Bond, R-Mo., promises to push for a consolidated, Cabinet-level trade agency once a bill to dismantle Commerce reaches the Senate floor. Senate Majority Leader Robert Dole, R-Kan., is reported considering the idea of a trade agency, but one below Cabinet-level status.

In the House, Rep. John Mica, R-Fla., is about to introduce a trade agency bill, which unlike Sen. Bond's proposal, includes the U.S. Trade Representative's office.

By mid-July, Sen. William Roth, R-Del., the Governmental Affairs Committee chairman who has long proposed a department of international trade, will hold hearings to explore these and other views. And House Speaker Newt Gingrich, R-Ga., has said he favors a congressional task force to examine how best to organize the government's trade-related activities.

It probably will take a year or two, perhaps longer, to sort out the Commerce Department's future and more specifically how the government's trade activities should be organized, business spokesmen estimated.

[May 11, 1995]

ORPHAN AGENCY—A LITTLE OF EVERYTHING IS DONE AT DEPARTMENT OF COMMERCE TODAY—VAGUE MISSION IS ONE REASON IT MAKES GOP HIT LIST; BUSINESS SHEDS FEW TEARS

SHIPS, TRIPS AND ZEBRA MUSSELS

[By Helene Cooper]

Stephens Passage, Alaska—The officers aboard the U.S. ship Rainier are smartly dressed, in khaki maritime workwear. In the captain's quarters, polished wood gleams brightly. At the helm, Lt. Commander Art Francis guides the vessel as it surveys the clear waters of southeast Alaska. "I love this job," he says.

At the National Marine Fisheries Service in Seattle, meanwhile, government scientists work to determine the migration and breeding habits of the dwindling stock of Pacific salmon.

Nearby, workers from the Hazardous Materials Response and Assessment Division await the phone call that alerts them that there has been an oil spill—anywhere in the world. Then they whisk off to help in the cleanup.

These federal employees aren't from the Navy, the Fish and Wildlife Service or the Environmental Protection Agency, as their job descriptions might indicate. They work for the Commerce Department.

The Commerce Department? The tentacles of this cabinet department, marked for elimination by the Republican-controlled Congress, spread across the country and into the ocean. The Rainier, in fact, is but one ship in a fleet of 25 Commerce Department vessels commanded by three admirals.

With a loosely defined mandate to aid U.S. businesses, the department, with 37,000 employees and a \$4.2 billion budget, is a hodgepodge of bureaucratic functions, some overlapping with other agencies, is currently involved in tasks ranging from trade talks with Japan on cars to scientific research on the zebra mussel. Commerce, its critics say, is the very symbol of bureaucracy run amok.

Given the millions in business subsidies and technology awards that Commerce has doled out to U.S. businesses, one might expect its corporate beneficiaries to be leaping to the department's side as the budget-cutters approach: Not so.

Consider the congressional testimony of Eastman Kodak Co.'s Michael Morley, a human-resources executive whose boss accompanied Commerce Secretary Ron Brown on a trip to China to try to nail down some contracts. At a House Budget Committee hearing on how to streamline government, Mr. Morley noted that Kodak planned to "sell, discontinue or close those businesses and functions that were not germane to our vision" and added: "For the federal government, an example might be closing the cabinet agencies of the departments of Commerce or Energy."

Defining the Mission—Robert Mosbacher, Commerce Secretary in the Bush Administration, is harsher still. He calls his former cabinet office "nothing more than a hall closet where you throw in everything that you don't know what to do with."

With the party of business now in control, these should be salad days for Commerce in the Congress. Instead, Republicans are talking about either a gradual death (in the Senate budget plan) or summary execution (the House's plan) for the department of business. Part of the problem is that no one can quite figure out what business, exactly, the Commerce Department should be in. Even top officials of the agency have a hard time describing.

"We are at the intersection of a variety of significant policy areas that spur economic growth," says Jonathan Sallet, Commerce's policy director. Commerce, he says, "is about combining them into effective parts of economic strategy. The strength of this department is in the fact that we make that connection."

Some Goodies—Commerce does offer some goodies that business likes, such as \$400 million-plus in annual awards for research in electronics and materials. But corporate lobbyists say these don't compare in importance with the feast of legislation they would like from the GOP Congress; tort reform, regulatory relief, a capital-gains tax cut and a scaling back of environmental restrictions. And even some Clinton administration allies appear hard-pressed to defend this bureaucracy. Asked if Commerce should get the ax, C. Fred Bergsten, director of the Institute for International Economics, replies: "I don't think much would be lost."

Adding to the department's woes is the battering that Secretary Brown has taken on questions about his private dealings. While Mr. Brown has received extensive media attention and praise for his work at the department, he is hobbled by a Jus-

tice Department investigation into how he made \$400,000 from the sale of his assets in an unsuccessful company in which he invested no money and little time.

There is no question that some useful work gets done at Commerce, particularly in the National Weather Service. At the National Oceanic and Atmospheric Administration, the Commerce arm that runs those ships (and that takes up almost 50% of the departmental budget), scientists do research aimed at averting oil spills. Map making that goes on aboard the Rainier is crucial to making sure tankers don't run aground.

But Commerce officials have a hard time explaining why some of these important functions belong in the department, and why others shouldn't be privatized. For example, some of the oceanic research—into zebra mussels, shark feeding and disposal of crab wastes—could be handled by industries that care about such things.

They are also often at a loss to explain how the department has grown so big. Mr. Mosbacher's hall-closet analogy isn't far off the mark. Departments and agencies that didn't fit in other cabinet offices were, over the years, simply tacked into Commerce. This haphazard growth is typical of the federal bureaucracy. So too is the turf protection that may make it hard to do away with the department.

Life at Hazmat—Take a look at the Hazardous Materials Response and Assessment Division, often called Hazmat. A Commerce arm based in Seattle, Hazmat has branches in all the major coastal cities. It employs some 100 biologists, chemists, oceanographers, geomorphologists (geologists who work on beaches) and geologists who "dash off to oil spills around the world," says David Kennedy, Hazmat's chief.

Mr. Kennedy explains the mission: "We're a liaison and technical support to the Coast Guard for oil spills and hazardous-materials spills," he says. "We're involved in how to clean up the mess." How clean is clean?

If these duties sound similar to the EPA's; that's because they are. Hazmat scientists routinely work with EPA people. Critics say the agencies could probably be merged, and overlapping jobs cut.

No; Mr. Kennedy says, Hazmat is different. EPA's mandate is to focus on human environmental dangers, he says, while Hazmat focuses on spills that affect shipping and commerce. So he says hazmat needs to remain separate.

Leonard Smith, a regional director of Commerce's Economic Development Agency, makes a similar argument in explaining why the Commerce Department is helping create a university in Monterey, Calif. When the nearby Fort Ord military base closed, officials were frightened for the local economy. "Who's left to come in and help the community?" Mr. Smith asks.

Who else but Commerce? So last year, the department put \$15 million into turning the base into California State University at Monterey, whose doors will open to 1,000 students in September.

But if California needs another campus for its sprawling university system, shouldn't whatever federal help was needed have come from the Department of Education? No, says Mr. Smith. "We're not just creating universities; we're creating jobs."

At Commerce, job creation is taken especially seriously when the jobs belong to the department itself. Officials are upset over a proposal from Sen. Jesse Helms of North Carolina to return the department's U.S. and Foreign Commercial Service to the rival State Department where it rested before 1980. ("They're still stuck in the Cold War over there," a senior Commerce official says.)

Exports and Jobs—So Commerce has mounted a public relations offensive. Reporters were brought in recently to tour the office's new export-advocacy center, where U.S. companies trying to enter complicated foreign markets can seek aid. Security is tight; special codes and complex locks restrict entry. One mission is to track the 100 biggest business deals around the globe for which American companies are competing. In an almost eerie display, a bank of empty computers each display the same message in purple letters against a turquoise background: "Exports-Jobs."

This is the Commerce Department's byword, and it has fueled a drive by Secretary Brown to open foreign markets. Mr. Brown has led corporate delegations to China, Brazil and Africa, helping to forge new contracts valued at \$25 billion and creating 450,000 new jobs, according to department estimates. Past Commerce chiefs, including Mr. Mosbacher, also stumped on foreign territories for U.S. companies, but none with the zeal or effectiveness of Mr. Brown.

But even in this high-profile line of work, Commerce comes under fire. "There's no economics in the argument" that export promotion creates jobs, contends Robert Shapiro, a Clinton political ally and vice president of the Progressive Policy Institute, a Democratic Party think tank. "These export subsidies certainly don't reduce the trade deficit. All you can do with [them] is increase jobs for companies with the

clout to get the subsidy. But that's at the expense of industries that don't have that clout. You're just shifting things around."

Faint Praise—Given the energy Commerce spends seeking foreign business, one might think U.S. companies would be rushing to define at least these Commerce initiatives from the Republicans' ax. Most aren't.

"A few of their programs I see value in," says a lobbyist for a large U.S. company that has received several Commerce research subsidies. "But the entire department, with what it costs to run it? It's hard to justify."

For his part, Mr. Brown calls the proposals to eliminate his department "the height of nonsense." He argues that rather than make it smaller, Congress should make it bigger, a sentiment that President Clinton apparently shares. Commerce's fiscal 1995 budget is 28% higher than that for fiscal 1993.

"I think you can make a reasonable argument that money spent in Commerce gets more bang for the buck than anywhere else in government," Mr. Brown says. "It attracts private investment. It creates jobs for the American people."

And Commerce may be saved by the very thing that makes some people want to kill it: Its long reach. If Commerce is axed, asks one of its midlevel bureaucrats, "Who would forecast the weather? Who would do the census? Who would operate the Appalachian Regional Commission? Who would take CEOs to China?"

In fact, the Republican proposals to drop the department would save some of its key functions, such as weather forecasting, by putting them elsewhere. There are those who say talk of eliminating Commerce is a deceptive attempt by politicians who want to give the appearance that they are cutting government waste. "You have to distinguish between programs that actually abolish Commerce and programs that simply eliminate the letterhead," Mr. Shapiro says.

Consider the antics of Republican Sen. Spencer Abraham, head of a Senate panel to consider eliminating Commerce. "There is simply too much waste and duplication," he said last month. "Our goal is to make government more efficient and less expensive."

But the senator is from Michigan, where zebra mussels are clogging sewage pipes. Three days later he voted to restore \$2 million for zebra-mussel research in the Commerce Department.

JOURNAL OF COMMERCE

[May 24, 1995]

RE-ENGINEERING COMMERCE

Doing more with less has become the credo of American business, where cost control is a condition of survival. Not so in government, where aimless programs often live on despite vague talk of re-engineering.

This week, House Republicans turned their attention to the \$4.2 billion Department of Commerce, which surfaces every few years as a target of budget cutters. Under a bill introduced by Michigan Rep. Dick Chrysler and a few dozen co-sponsors, Congress would abruptly cancel about 35% of the department's operations—mainly those that provide direct handouts to business—and transfer the rest to other agencies. Most of this makes good sense.

The Commerce Department, of course, is a fat political target, and not only because of the legal and ethics problems of its secretary, Ron Brown. Although its mission is to help commerce, the department lacks broad support even among business people. Republicans have been saying for months that Commerce must go—and the silence from corporate America has not gone unnoticed on Capital Hill.

The department's biggest weakness, though, is its lack of a coherent or easily defensible mission. Much of what it does has nothing to do with promoting business—which, in any case, the private sector is well-equipped to do itself. Among other things, the department operates weather satellites, counts the population, conducts oceanic research and promotes fisheries. It also issues patents and trademarks, drums up overseas business for U.S. corporations and compiles economic statistics. It is a collection without much rhyme or reason. Former Commerce Secretary Robert Mosbacher likened it to a "hall closet where you throw in everything that you don't know what to do with."

To clear out the closet, Mr. Chrysler would immediately end programs that subsidize individual businesses—the sort of programs Clinton administration Labor Secretary Robert Reich has called "corporate" welfare." The bill would shut down the offices that promote fisheries, fund new technologies, run tourism fairs and finance pork-barrel projects in "economically depressed" areas.

Six months after enactment, the bill would do away with the rest of the department by parceling out its activities to other agencies with similar missions. The office that operates weather satellites would go to the Interior Department. Fish inspection would move to Agriculture. Promoting U.S. exports would go to the office of the U.S. Trade Representative. Within three years, the Commerce Department would be history. Over five years, taxpayers would save \$7.76 billion. And since merging similar programs would force them to compete for scarce funds, taxpayers would realize further savings.

Most of this plan, which is based on an office-by-office review of the department, is sound. It distinguishes between subsidies to individual businesses, which should be eliminated, and economy-wide services such as collecting economic data and operating weather satellites, which are more legitimate functions of government.

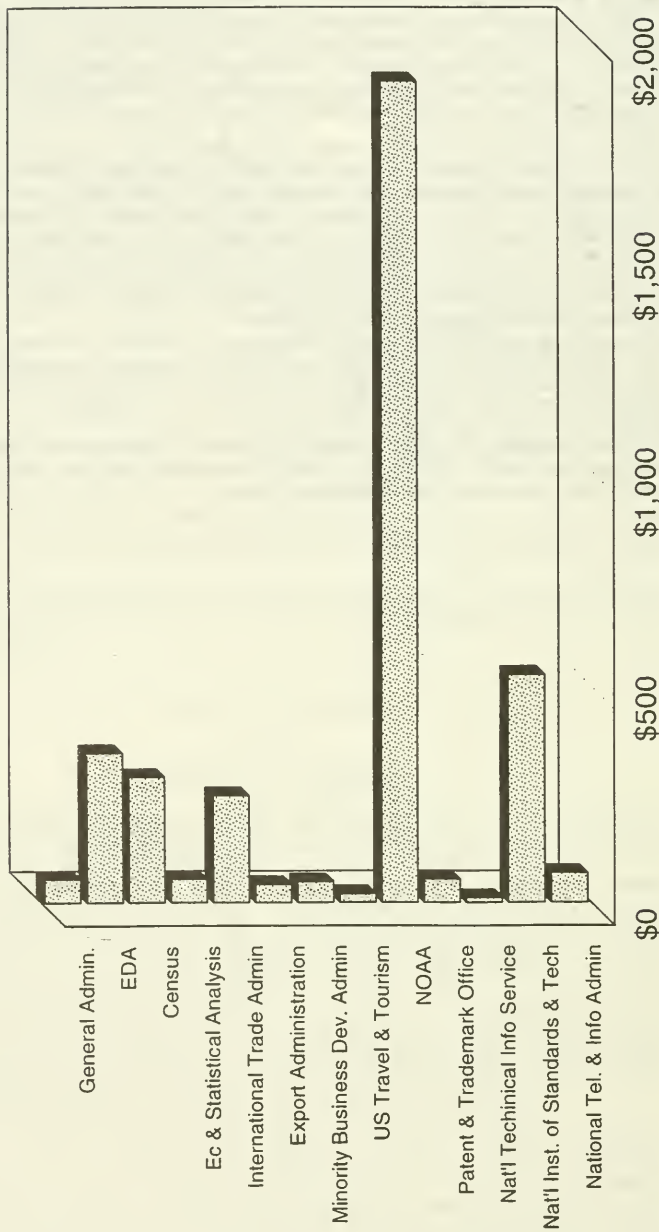
That said, the Chrysler bill is far from perfect. It leaves in place plenty of pork, including marine research projects from the National Oceanic and Atmospheric Administration that go to the districts of influential congressmen. And it ignores many other corporate handouts, such as those offered through the Small Business Administration, that have more forceful defenders.

By focusing on the Commerce Department, budget cutters are starting small. Even though it employs 37,000 to run some 100 programs, its budget is a fraction of the \$331 billion spent annually by the Health and Human Services Department and the Defense Department's \$282 billion. The other agencies have much stronger support.

To his credit, Mr. Chrysler provides a practical blueprint for rethinking one Cabinet agency's mission. Ideally, this will be a starting point for the bigger job of re-engineering the rest of the federal government.

Department of Commerce

1995 Outlays in Millions



Congress of the United States
House of Representatives
Washington, DC 20515

**IT'S TIME TO CLOSE THE
DEPARTMENT OF COMMERCE.**

May 26, 1995

Dear Colleague:

If there was ever a Department that needed to be dismantled, its the Department of Commerce:

Former Commerce Secretary Robert Mosbacher recently called the Department, "nothing more than a hall closet where you throw in everything that you don't know what to do with."

A *Washington Post* editorial of May 12th declares, "The country could get along just fine, for example, without an Energy, an Education, or a Commerce Department."

In a May 11th article, the *Wall Street Journal* noted, "Business Sheds Few Tears" in response to calls for the Department's abolition.

That article goes on to say, "And even some Clinton administration allies appear hard-pressed to defend this bureaucracy. Asked if Commerce should get the ax, C. Fred Bergsten, director of the Institute for International Economics, replies: 'I don't think much would be lost.'"

A May 24th editorial in the *Journal of Commerce* declares, "The Department lacks broad support even among business people . . . The department's biggest weakness, though, is its lack of a coherent or easily defensible mission. Much of what it does has nothing to do with promoting business - which, in any case, the private sector is well equipped to do itself."

The Commerce Department's own Inspector General calls the agency, "a loose collection of more than 100 programs," while the General Accounting Office reports that the Department "faces the most complex web of divided authorities" sharing its "missions with at least 71 federal departments, agencies, and offices."

Both the House and Senate Republican budget resolutions call for the elimination of the Department of Commerce. As Members of the Task Force studying the Department of Commerce, we have drafted legislation with a specific plan to close the doors at the Department.

We encourage you to join us in this important effort to reign in the growth of the federal bureaucracy by being an original co-sponsor of the Department of Commerce Dismantling Act. Please call Scott Gast in Rep. Chrysler's office at 5-4872 before June 2 to have your name listed as a sponsor of this bill.

It's time to close the Department of Commerce.

Sincerely,

Dick Chrysler

John Dingell

Robert Wicks

James J. Conaway

Robert Wicks

James F. Boren

Charles F. Bass

Jim Hodges

Bob Soloman

Richard Shelby

Joe Gaby

John Kullback

Tommy Jones

John Galt

Art Helling

John E. Eng

John Bell

Benjamin Kettering

Cliff Sears

Tommy Johnson

Tom Chabot

John Kruil

Walter B. Jones

Jim Gutknecht

Mike Gault

Paul Weldon

Sue Myrick

Jon Christensen

Tom King

David Mitchell

Mark Smith

Matt Hill

Wes Cook

Steve Langert

Congress of the United States
House of Representatives
Washington, DC 20515

BUSINESS DOESN'T WANT THE DEPARTMENT OF COMMERCE

July 21, 1995

Dear Colleague:

Despite what you hear from the Washington defenders of the *status quo*, the Department of Commerce is not the advocate for American businesses that they would have you believe. Evidence of this can be seen in the business community's reluctance to rush to the defense of this unwieldy bureaucracy.

Just look at a couple of recent clips from some of the leading publications that cover the business community, including a recent Business Week poll of 400 senior business executives:

Business Week
July 5, 1995

BUSINESS WEEK/HARRIS EXECUTIVE POLL

A BALANCED BUDGET OR BUST

AXING AGENCIES

Supporters of a balanced budget are proposing to eliminate some federal agencies. Do you favor or oppose eliminating:

	FAVOR	OPPOSE	DON'T KNOW
1. Energy Dept.	71%	24%	5%
2. Housing & Urban Development Dept.	69%	27%	4%
3. Commerce Dept.	63%	33%	4%
4. Education Dept.	52%	46%	2%

Journal of Commerce
June 27, 1995

Commerce Dept. Seen Less Vital Than Deficit Cut

Business Support
Wanes for Agency

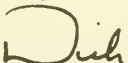
Wall Street Journal
May 11, 1995

Orphan Agency A Little of Everything Is Done at Department Of Commerce Today

Vague Mission Is One Reason
It Makes GOP Hit List;
Business Sheds Few Tears

If business doesn't want the Department of Commerce, then who besides Ron Brown does? It's time to close the Department of Commerce.

Sincerely,



Dick Chrysler
Member of Congress



Mike Parker
Member of Congress

SPENCER ABRAHAM
10-1-95

United States Senate

WASHINGTON, DC 20510-2203

May 31, 1995

THE COMMERCE DEPARTMENT DISMANTLING ACT OF 1995

Dear Colleague:

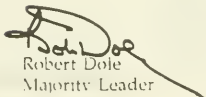
The recently-passed Senate Budget Resolution calls for the elimination of the Commerce Department. We are writing to invite you to become an original cosponsor of legislation that would implement the budget resolution's recommendation. The "Commerce Department Dismantling Act of 1995" was drafted by the Senate Task Force on Elimination of Government Agencies and a similar House GOP Freshman Task Force.

The Commerce Department has evolved into "a loose collection of more than 100 programs" according to the agency's own Inspector-General. The General Accounting Office goes further, reporting that the Department "faces the most complex web of divided authorities" sharing its "missions with at least 71 federal departments, agencies, and offices." Its bureaucracy is bloated, its infrastructure is in disrepair, and more than 60 percent of its budget is dedicated to activities completely unrelated to its mission.

We must eliminate unnecessary and duplicative departments and agencies like Commerce if we are to truly restrain the federal government's growth and balance the budget. Under the "Commerce Department Dismantling Act of 1995," those programs and functions that are deemed unnecessary, duplicative, and wasteful are terminated entirely. The remaining programs are either consolidated and reassigned to other appropriate departments, or transferred to the private sector.

Attached is a brief agency-by-agency description of the legislation. The terminations, transfers and consolidations are to be completed over a thirty-six month period under the direction of a temporary Commerce Programs Resolution Agency. According to preliminary estimates by the Congressional Budget Office, this legislation would produce budget savings of \$7.765 billion over 5 years. If you would like to become an original cosponsor of this legislation, please contact Brian Reardon or Cesar Conda in the office of Senator Abraham (4-4822).

Sincerely,



Robert Dole
Majority Leader



Spencer Abraham
Task Force Co-chair

Lauch Faircloth
Task Force Co-chair

BUSINESS WEEK

June 5, 1995

BUSINESS WEEK/HARRIS EXECUTIVE POLL

A BALANCED BUDGET OR BUST

American business has spoken: Balance the federal budget, even if it means giving up corporate subsidies. That's the message of a new BUSINESS WEEK/Harris Executive Poll of 408 senior executives. A decisive 57% of corporate leaders said balancing the budget was a "top priority" that will only happen by setting a



strict deadline. Only 23% felt such a step might harm the economy.

Given a choice between balancing the government's books or slashing taxes, 79% of executives opted for budget balance. Yet few thought it would actually happen: Asked if Uncle Sam's ledgers would be balanced by 2002, 86% said no.

FULL STEAM AHEAD

Republicans and Democrats are arguing over how to balance the federal budget. Which of the following statements comes closest to your point of view?

- a. Balancing the budget is a top priority that will only happen by setting a strict deadline 57%
- b. Balancing the budget is a worthwhile goal, but drastic cuts in federal spending could jeopardize the economy 23%
- c. The most important goal should not be balancing the budget, but rather setting different spending priorities ... 20%
- d. Not sure/don't know 0%

SAYING YES TO SACRIFICE

Some Republicans say that the drive to balance the budget by 2002 will require most, if not all, business subsidies to be eliminated. Considering your specific industry, are you willing to forgo special tax incentives or spending programs for the sake of budgetary discipline, or not?*

- a. Willing to forgo tax incentives 57%
- b. Willing to forgo spending programs 56%
- c. Not willing to forgo anything 10%
- d. Depends on the circumstances 7%
- e. Not sure/don't know 6%

NO SACRED COWS

I'm going to read you a list of business subsidies or incentives that might be eliminated in order to balance the budget. Should each of the following be eliminated or not in order to help balance the federal budget?

- | | SHOULD | NOT SURE/
NOT
DON'T KNOW |
|--|--------|--------------------------------|
| 1. Farm subsidies 83% ... 13% ... 4% | | |
| 2. Incentives for energy development and efficiency 68% ... 27% ... 5% | | |
| 3. Federal loan guarantees 65% ... 29% ... 6% | | |
| 4. Export-promotion programs 59% ... 34% ... 7% | | |
| 5. Research and development support for emerging high-tech industries . . . 51% . . . 45% . . . 4% | | |
| 6. Small-business grants and loans . . . 49% . . . 47% . . . 4% | | |

AXING AGENCIES

Supporters of a balanced budget are proposing to eliminate some federal agencies. Do you favor or oppose eliminating:

- | | FAVOR | OPPOSE | NOT SURE/
DON'T KNOW |
|--|-------|--------|-------------------------|
| 1. Energy Dept. 71% ... 24% ... 5% | | | |
| 2. Housing & Urban Development Dept. 69% . . . 27% . . . 4% | | | |

* Respondents could pick more than one answer

- | | FAVOR | OPPOSE | NOT SURE/
DON'T KNOW |
|--|-------|--------|-------------------------|
| 3. Commerce Dept. 63% ... 33% ... 4% | | | |
| 4. Education Dept. 52% ... 46% ... 2% | | | |

READ OUR LIPS

Separately, GOP spending proposals would balance the budget by relying exclusively on spending reductions. As a last resort, would you favor or oppose modest tax increases to help balance the budget by 2002?

- a. Favor modest tax increases 39%
- b. Oppose modest tax increases 57%
- c. Not sure/don't know 4%

TOP OF THE AGENDA

Which of these issues is THE most important to American business?

- 1. Balancing the federal budget 31%
- 2. Improving the U.S. educational system 28%
- 3. Helping to make U.S. companies more competitive globally 17%
- 4. Cutting taxes 9%
- 5. Fighting crime and drugs 6%
- 6. Reforming the welfare system 5%
- 7. Providing guaranteed health care for all Americans 1%
- 8. Reforming campaign finance laws 0%
- 9. Not sure/don't know 3%

NO TIME FOR TAX CUTS

Which do you think is more important—balancing the federal budget or cutting taxes for business and individuals?

- a. Balancing the federal budget 79%
- b. Cutting taxes for business and individuals 19%
- c. Not sure/don't know 2%

YE OF LITTLE FAITH

All in all, do you think the federal budget will be balanced by 2002 or not?

- a. Will be balanced 11%
- b. Will not be balanced 86%
- c. Not sure/don't know 3%

Edited by Michele Galen

Survey of 408 senior executives at corporations drawn from the BUSINESS WEEK 1000. Interviews were conducted May 19-23, 1995, for BUSINESS WEEK by LOUIS HARRIS & Associates. Results should be accurate to within 4.9 percentage points.

Mr. OXLEY. Thank the gentleman from Michigan.
The other gentleman from Michigan, Sander Levin.

STATEMENT OF HON. SANDER LEVIN

Mr. LEVIN. Thank you very much, Mr. Chairman, and your colleagues.

I believe you have a copy of my written testimony, and I would like to submit it for the record.

Mr. OXLEY. Without objection.

All of the written statements will be made a part of the record.

Mr. LEVIN. Mr. Chairman and colleagues, rather than reading from my written testimony, let me summarize it and expand on it in a few places. I think it is useful to look at reform of the Commerce Department as well as other agencies of government. I do think, though, that it will be very helpful if we base reform on real world experiences and not on vague theory or blind rage at government.

Let me refer briefly to some of my experiences. In 1981, after I left as Assistant Administrator of the Foreign Aid Agency, I tried to match American business opportunities or interests with opportunities in three countries: Egypt, India, and Indonesia.

I remember going to Egypt in 1981. There were 2 commercial service officers in the embassy serving all of American business interested in opportunities in Egypt. They had two desks off to the side.

I remember talking with a gentleman from Texas who was in the irrigation business, and he was looking for just a little help to get started and some knowledge of opportunities in Egypt. He never left the airport because the American Government was unable to help him initially explore opportunities there.

When I joined Congress I traveled to Indonesia in the mid-1980's. We talked to the President of Indonesia about competition for a large telecommunications project there.

We urged he take a good look at the American company, one that was larger than the irrigation company in Texas. The Japanese Government was providing the Japanese competitor with interest payments to the Indonesian Government of half of what could be offered by the American company. I came back. We talked to the Reagan administration which got busy to try to see if our business could operate on a level playing field with the Japanese.

In the late 1980's I went to Eastern Europe. I was struck by the lack of American presence there after the fall of the Soviet Union. I thought it was useful for them as well as for us that our companies be able to compete there and that our companies be encouraged to compete in Eastern Europe and came back with the idea of expanding foreign commercial service attaches to commercial centers so that smaller- and middle-sized business people who wanted to explore possibilities in Eastern Europe would have a chance to have a place to perch initially, have a little guidance as to what the terrain was and opportunities there might be. The Bush administration, I think to its credit, picked up this idea and so today we have these expanded commercial centers.

In the last year, the Commerce Department decided to establish a one-stop shop for smaller- and medium-sized business people in

metropolitan Detroit, a regional center, and it has worked with the Republican Governor and the Republican County Executive of Oakland County to create that one-stop shop.

H.R. 1756 would essentially reverse, in most cases, and reduce in others, efforts that relate to each of the four experiences that I have related. The result, I think, of that has been a lot of confusion and, in some cases, consternation. So what has happened has been that there has been a considerable backing off of that proposal, and now we have instead proposals that would set up a new combined trade agency.

The idea of combining USTR and the trade functions of Commerce is not a new idea. I think it is worth looking at if we do so openly and not just with blinders on and with our ears plugged. For example, the notion of combining the two but not having a Cabinet-level position. I think that probably diminishes the importance of a trade entity in the U.S. Government at the same time our economy is globalizing.

The funding pattern also is very unclear. Some of the functions now in Commerce would be eliminated altogether. But those functions, in some cases are the backbone for USTR's efforts. It would mix market opening efforts and enforcement of our trade laws, and that raises serious questions about whether or not one might be traded off for the other.

I was also going to comment briefly on the proposal to eliminate ATP and the Manufacturing Extension program. You know, I was reading over the floor debate on Friday concerning the MPP and agriculture, and it was interesting to listen to some of the proponents of MPP—and I voted against the amendment to eliminate it—talk about the necessity in the agricultural field for a partnership between the public and the private sectors, and how that had worked in the agricultural area.

What we have today, I think, in front of us is a proposal that is based on not a partnership but eliminating any essential governmental role. I am not in favor of government being involved where it should not be. Where the private sector can do it strictly alone, it should be encouraged to do so and government should stay out. But I strongly urge when it comes to trade functions and others that are now in the Commerce Department that we really look before we leap, we not let generalized theory, a general rage at government, or political commitments to eliminate departments operate kind of willy-nilly without reference to the facts.

My experience is that trade functions within Commerce have served the interests of business people in this country and the economic interests of the United States, not always but in important respects, and so before we dismantle these, I think we need to debate and debate seriously.

Thank you for your time.

[The prepared statement of Hon. Sander Levin follows:]

PREPARED STATEMENT OF HON. SANDER LEVIN, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF MICHIGAN

Thank you, Chairman Oxley and Chairman Fields, for the opportunity to testify on H.R. 1756, the Department of Commerce dismantling Act of 1995.

The best that can be said of H.R. 1756 is that it has stirred up a debate on the functions of the Commerce Department. Such a debate can be useful if it is driven

not by blind ideology, but by facts; not by dollar signs alone, but by sober analysis as well; not by mere slogans, but by sound policy. But H.R. 1756 does not meet any of these tests.

Let me start with the facts, and concentrate on the trade functions of Commerce which I know best.

When I went to South Asia in the mid-1980s, the absence of American business was dramatically, tangibly apparent in Indonesia, Singapore, Thailand and throughout the region.

In Indonesia—a market of 180 million people—we had only four commercial officers and that number was being reduced to three. The impact on U.S. business was driven home when we urged President Suharto to give an American company a chance at a huge national telecommunications project. The Japanese Government, he pointed out, had been courting him aggressively and was willing to finance its bid at one-half the cost to Indonesia of the American company's proposal.

In Thailand, I suggested to the head of the U.S. Chamber of Commerce chapter that without a major American private-public sector effort the U.S. would fall even further behind in the next 10 years. His response: "Congressman, you're wrong: not 10 years, 5 years—not behind, but dead."

What H.R. 1756 proposes to do would tear out the trade programs of Commerce, scatter some here and others there, and terminate still others. Ignoring the facts, H.R. 1756:

- reflects the blind ideology of "getting government out of it"—out of any role in working with business on overseas opportunities;
- satisfies the political need to get rid of a government department;
- arguably saves some money; and
- is an object to which one can attach the facile term "corporate welfare."

I favor eliminating any Department that is really unnecessary. I have strongly supported deficit reduction, and continue to do so. I favor reform—indeed I have been a very active participant in addressing the abuses and problems in our social welfare system—and I believe the same concerns apply whether the recipient is individual or corporate.

But those who combine a wild swing under the banner of "corporate welfare" with a misguided approach to social welfare reform should not be let off the hook by the argument that they are dealing equally with both. Two minuses surely do not add up to a plus—at least in terms of public policy.

A wild swing is surely wrong for my state of Michigan. Michigan is the fifth largest exporting state, behind California, New York, Texas, and Washington. In 1993, Michigan had export sales of \$25.3 billion, of which 98% were manufactured goods. Its top three export markets in 1993 were Canada, Mexico and Japan. Transportation equipment is Michigan's dominant export. Other major exports are industrial machinery and computers, fabricated metal products, electric and electronic equipment, and chemical products.

Commerce's domestic offices which provide export information annually reach over 2,500 businesses in Michigan alone, a large number of which are small and medium-sized firms. In 1995, Commerce offices in Michigan will conduct about 4,000 individual counseling sessions related to exports.

Michigan knows business, Michigan knows exports, and Michigan knows that key business-related functions of the Commerce Department can't be scrapped.

That's why in Michigan a Republican Governor and a leading Republican county executive have teamed up with the Commerce Department to establish an innovative export assistance center—one of many taking shape throughout this nation—in Oakland County, part of which is in my district. According to County Executive L. Brooks Patterson, this center "will open up new opportunities for business to enter the international marketplace."

"New opportunities." That's exactly the purpose of the business-related activities at today's Commerce Department. We need to build on our success, not dismantle it, for what is at stake are jobs, not theory.

The vast overreach of H.R. 1756 is reflected in the rather rapid retreat from its original thrust. Both the House and Senate versions of the bill proposed to eliminate the Trade Development and International Economic Policy components of Commerce, transfer the Import Administration and the U.S. and Foreign Commercial Service functions to USTR with uncertain funding in some cases and none in others, and split the Bureau of Export Administration between State and Treasury.

The latest re-write to be a revised proposal of Representative Mica—to combine USTR and Commerce, not as a new Department, but in a secondary position as a new agency.

The idea of combining Commerce and USTR is not a new idea. It surely is appropriate to take another look. But we need to be sure that we know what we are doing, and that we are not doing something driven less by knowledge than by other factors.

One argument against combining USTR and Commerce is that the administration of our trade programs could be held hostage to our trade negotiations. Right now the Commerce Secretary and the USTR can play "good cop, bad cop" with our trading partners, and it works. True, we will never be able to completely separate an antidumping determination or a large construction contract from our negotiating efforts to secure intellectual property rights or establish minimal human rights standards. But we need to be careful not to make our job more difficult.

While I have focused on the trade-related activities of Commerce—in part because of my direct involvement with these issues over the years—I do want to urge that we also look before we leap in other areas.

For example, the proposed termination of the Advanced Technology Program and the Manufacturing Extension Program. I have had some experience with both the ATP and MEP programs, including the Michigan Manufacturing Technology Center in Ann Arbor. I favor getting government out of the picture wherever the private sector can do it alone. What I fear is that the termination of the ATP and MEP programs is driven by the theory—not necessarily the reality—that the private sector can always do it alone, that there is never room for private-public sector partnership. Get government out of the picture is the mantra—period.

Some years ago I went to Republics of the former Soviet Union and concluded that it is essential for the U.S. to bolster our assistance there, not mainly through government grants but through the private sector, both profit and non-profit. Western European nations were moving quickly in this direction through partnerships between the public-private sector without a lot of controversy over the need for such partnerships.

I thought it was in America's national interest to assist the movement of those nations toward democracy and a free market economy. So I proposed that we experiment with expansion of our commercial attaches into broader-based offices to facilitate American entrepreneurs exploring opportunities there, especially those of small and middle size without large corporate export divisions.

That idea was picked up by the Commerce Department in the Bush Administration. I put that idea forward not because I believe in the public sector making business decisions, because I don't. Not because I believe in corporate welfare—my record of resisting unwise or unproductive tax breaks for corporations is quite clear.

I did so mainly because it could mean more business, more jobs for Americans, in the U.S.A.

I understand why in the U.S., in contrast to most other nations, there is far more debate about the appropriate relationship between the public and private sectors. It can be a source of strength. But it won't be if the debate is conducted with blindfolds or ear plugs rather than open eyes and minds.

The trade-related aspects of the Commerce Department are just one of many facets of U.S. policy in a globalizing economy. They are not even the most important facet, but surely they are significant enough that we not throw them overboard without regard to their future impact on the direction of our country.

Mr. OXLEY. Thank you.

The next witness, John Mica from Florida.

STATEMENT OF HON. JOHN L. MICA

Mr. MICA. Thank you, Mr. Chairman, and also distinguished members of your panel for the opportunity to testify today.

I would like to submit my entire testimony for the record.

Mr. OXLEY. Without objection.

Mr. MICA. Mr. Chairman, let me tell you a little bit, and members of the panel, where I come from. I had the opportunity for 7 years, almost 8 years, to represent some large companies and a few medium companies in their international trade activities.

I don't know a lot about the Department of Commerce and all of its other functions, but I am pretty familiar about what the Department of Commerce does to promote and assist trade, and I am fairly well versed in how it affects medium and small businesses. And

actually you see at your table here a good example. Mr. Chrysler, who was involved in it, wouldn't touch assistance from the government with a 10-foot pole and Mr. Levin was looking for assistance, and that is somewhat where we are.

One of the reasons for that is traditionally in the United States almost all the economic activity was domestic. If you go back and look at history as far as the expansion of markets, it was in the domestic markets, but a lot of that has changed, as you know. Right now we are in a real crisis. For the month of May, our trade deficit reached a staggering all-time high of \$11.4 billion, so we have relied on domestic market.

Now we are international competitors. A lot of our medium and small businesses are not really able to deal in that world situation and world market. In fact, most of the business, the export business is done by mostly major companies, just a very small portion is done by medium and small businesses in this country.

Now, the ideal solution in an ideal world would be to combine all the 19 agencies, and all of you are aware that there are 19 agencies of the Federal Government spending billions of dollars to promote and assist trade, but it is done in a very disorganized, uncoordinated and expensive fashion. Unfortunately, we live in a real world, and in Congress we also have to live by a world of compromise, so we can't do exactly what needs to be done, and I would like to do a lot more than I have proposed here today.

But with the proposal by the freshmen and other members to eliminate 1 Agency, I think that it would be a dramatic error to leave trade and promotion assistance hanging out there, not to do something with it. In order to compete in the international arena, we have really got to get our act together, but what I have tried to do, and again not dealing with all these other agencies, is basically a fairly modest proposal, and we have got a copy of it up here.

It just says take the trade functions right now to start out with that are done by the U.S. Trade Representative and under the Department of Commerce and combine them. Keep the Cabinet-level status, but really keep all of the other functions that are necessary in a slimmed-down fashion and create an Office of Trade.

Now, I would like to put other activities in here and maybe we could do it this session or maybe we could do it later on. But I tell you, it is absolutely critical that we in fact do not throw the baby out with the bathwater when we are reorganizing the Department of Commerce. This is one of the most important functions job creators economic growth areas for this country and I think a very important responsibility of government.

So we have a plan that accomplishes two important objectives: First, we preserve the functions of the Department of Commerce that actually create exports and therefore jobs; second, business keeps a seat at the Cabinet table; and third, we have a nucleus for a more comprehensive trade office, which I would like to see us grow and expand as needed and bring other functions in from the other agencies where we can realize some real economies, efficiencies, savings and actually be a serious force for and assistance in the international market, and assisting our medium and small businesses, which I can tell you are not even part of the equation today.

So those are some of my comments, and if I have an opportunity in writing I will be happy to respond to your questions because I am running back to another hearing.

Thank you, Mr. Chairman.

[The prepared statement and attachment of Hon. John L. Mica follows:]

PREPARED STATEMENT OF HON. JOHN L. MICA, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF FLORIDA

It is a privilege to testify today before your subcommittees on the issue of the elimination of the Commerce Department and the implications for our U.S. trade programs. Let me start by saying that for seven years in the private sector I served as an international business trade consultant. Having represented both large and small business interests I believe I had a good vantage point and opportunity to view U.S. trade assistance to American concerns in the U.S. and abroad.

First, let me say that our trade promotion and assistance programs are at best a disorganized mess.

We have 19 agencies with separate missions each going their own way. In the process we spend billions of taxpayers dollars often in an uncoordinated and ineffective manner. We have a hodge podge of trade activities tacked on to various agencies over the years that must be reorganized.

As you may know, in the last decade, the U.S. has lagged behind in exporting in nearly every category. For the month of May, our trade deficit reached a staggering all-time record high of \$11.4 billion.

Unfortunately we have depended and relied on a domestic market for trade while our international competitors have existed and survived only by competing in foreign markets.

Only a small percent of U.S. firms account for nearly all our foreign exports.

The ideal solution would be to combine most of our 19 agencies that deal with trade and export promotion, negotiations, finance, and assistance.

At the very least it is critical that as we dismantle and reorganize trade and export functions in the Department of Commerce, State and other agencies, and that we establish a coherent basis for an Office of Trade with cabinet-level status.

While I concur with current efforts to dismantle certain agencies, it would be a dramatic error to leave trade promotion and assistance in its disorganized state.

In order to compete in the international arena, large and small businesses need every bit of assistance and aid to succeed. The embassies of other nations have become trade and business centers.

The United States has twice the number of economic officers in its embassies gathering statistics than Foreign Commercial Service officers.

Our AID foreign aid give away programs have 16,000 full-time and contract employees while our commercial promotion operations abroad pale in numbers.

For example, with trade delegations and in visits I found in Moscow that the Foreign Commercial Service officers I could count on one hand, while AID had an entire building filled with hundreds of employees.

Last year in Bratislava, in the capital of the emerging Slovak former eastern bloc nation, I found an AID office that exists which is larger than our embassy office with 1 part time U.S. Foreign Commercial Service officer commuting from Vienna.

To make matters worse and justify their existence, AID is now opening U.S. commercial offices with limited cooperation and coordination with our Foreign Commercial Service.

My proposal is a first step toward structuring an Office which will give us a coordinated trade policy. The bill transfers Department of Commerce Trade functions to the United States Trade Representative's Office.

The United States Trade Representative will head the restructured Office and will continue to perform the role of the nation's chief negotiator and will additionally be responsible for trade promotion, policy, and administration. The Administration will be at cabinet-level and removed from the Executive Office of the President.

The USTR will be supported by a Deputy United States Trade Representative (with ambassador status) who will be responsible for all trade negotiations, a Deputy USTR to the World Trade Organization, and a Deputy Administrator, who will serve as the agency's chief operating officer responsible for non-USTR functions, including administration of trade laws, promotion of exports, and trade policy analysis. The Office will integrate the trade and economic functions of the Commerce Department, the Trade and Development Agency.

The organizational structure will be flat and designed so that each function will maintain its own functional autonomy. This will ensure that the negotiation function can still be performed effectively. The USTR will be the Chair of the Trade Promotion Coordinating Committee, and will be responsible for developing and coordinating U.S. trade policy. In addition, my proposal elevates the current International Trade Administrator by giving that position in the U.S. Trade office ambassadorial status.

This plan accomplishes several important objectives: First, we preserve the functions in the Department of Commerce that actually create exports and therefore jobs. Secondly, business keeps a seat at the cabinet table. Third, we have a nucleus for a more comprehensive Trade Office which will be able to more effectively coordinate our trade policy.

Ideally, we need one-stop-one-shop trade assistance and service for small, medium, and large business. Ideally they need current information on market opportunities, financing and contacts.

Ideally and minimally a communications link between our trade promotion offices, financial organizations and domestic trade offices is essential.

While large U.S. corporations are routinely linked around the world—our U.S. trade offices and agencies fail to know what the left and right hand are doing at the same time.

U.S. businesses, small and large, should have instantaneous, updated information on trade, business and service opportunities around the globe.

With our proposed cutbacks and government restructuring, resources formerly used for AID should be blended into trade promotion and assistance. Fewer U.S. State Department personnel should be collecting statistics and more should be promoting trade and U.S. exports.

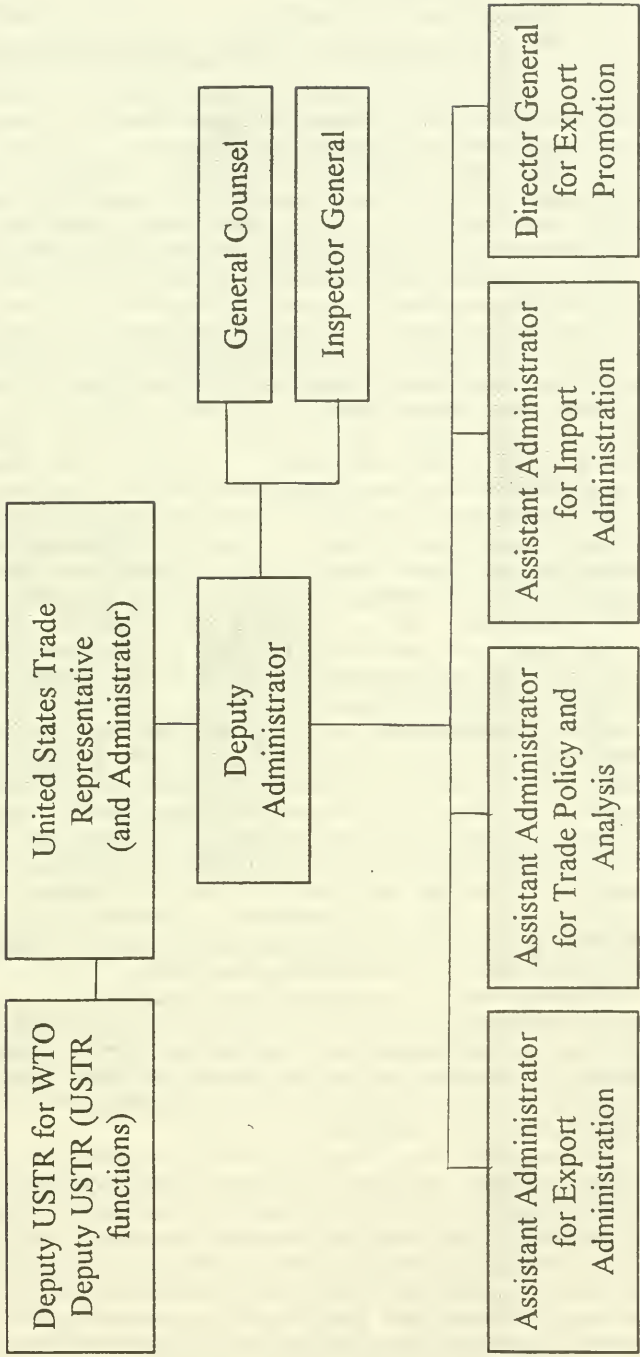
I submitted language to the Foreign Aid authorization bill which proposes a study for how we can accomplish true consolidation and streamlining which would impact all of the 19 differing agencies. This language will also be part of the Senate bill. For now, however, my proposal simply starts with the trade functions of the Commerce Department.

Again, it is critical that we provide all Americans with the capability of competing in the international marketplace with the tools and resources to be successful.

Only then will the U.S. create jobs and opportunities for the future.

The Honorable John L. Mica (FL-07)

United States Trade Office



Mr. OXLEY. Thank you.

Our final witness, the gentleman from Colorado, Mr. Skaggs.

STATEMENT OF HON. DAVID E. SKAGGS

Mr. SKAGGS. Thank you very much, Mr. Chairman. I appreciate the patience of yourself and the committee in hearing my testimony and that of my colleagues this afternoon.

We are about seeking competitive advantage in an evermore competitive world. Trade constitutes something like 20 percent of GDP now, and if this Department were called the Department of Competitive Advantage rather than the Department of Commerce, we might not be engaged in the debate this afternoon, because that is what this is about.

This debate comes at a time when American industries are facing more of a challenge around the world than ever before, it is coming at a time when happily we are winning some of the battles for regaining our competitive edge internationally, and it also comes at a time when every other major industrialized nation around the world is doing this and more in terms of their relative use of national government resources in aid of their competitive advantage.

To unilaterally disarm by eliminating the Department, which brings some focus to this enormous challenge that the country faces, seems to me to be foolish, unless we are driven purely ideologically, rather than as I think is our responsibility, pragmatically and practically. We are talking about efforts that, for instance, have helped win something like \$50 billion in additional sales overseas over the last several years. That translates to something like a third of a million American jobs.

We are talking about the competitive advantage efforts in the National Institute of Standards and Technology, particularly their efforts to provide the necessary increment to go along with private capital in bringing cutting-edge technologies to commercialization. We are talking about also under NIST, their manufacturing extension partnerships which are of aid to hundreds of thousands of small firms which simply do not have the internal capability of developing the kind of incremental improvements in manufacturing technology that the MEP program presents to them, again benefiting some 12 million American workers.

I have received correspondence, testimonials, if you will, from small businesses, large businesses in my part of Colorado, championing in particular the International Trade Administration's efforts in evening the playing field for U.S. firms trying to sell abroad. Let's not kill off an instrumentality which has really helped American businesses so well.

Just a word also about the National Oceanic and Atmospheric Administration which is primarily a science Agency, but I would submit also is a part of the overall Cabinet mission of Commerce in seeking to increase our competitive advantage. In the work that NOAA does, in fisheries and coastal management, even in giving us technologies that have been privatized to great commercial advantage, things like Doppler radar, more accurate weather predictions systems, even NOAA, in addition to doing the good science that is important for health and safety, is also adding to the Nation's competitive position.

I think all of us want to see a streamlined and more efficient government. The Department of Commerce is already in the middle of an effort to downsize by some 20 percent and to eliminate unnecessary bureaucracy. But as I examine anyway the proposed bureaucratic transfers and eliminations being proposed by Mr. Chrysler, I really question their wisdom and rationale and cost-effectiveness.

What is the compelling reason, for instance, that the Census Bureau is going to be a happier camper in the Treasury Department along with the MET and ATF, than it is presently located in the Commerce Department?

Does it really make sense to put missions of supporting and encouraging business and industry under the same roof as the very different missions of regulating the same activities, as would be the case with moving NTIA into the FCC?

All of these shifts also will involve real costs. The costs, first of all, of the bureaucratic shuffle, and I think in many, if not most cases, the costs inherent in undercutting well established, effective, efficient working relationships within the Department of Commerce.

I think the end result is much more likely to be a rearrangement of the squares on the organizational chart than the achievement of real efficiency. Again, that ought to outweigh our considerations unless the objective is simply to put a trophy on the wall and congratulate ourselves for I think the empty gesture of eliminating a Department.

Thank you very much.

Mr. OXLEY. Thank you, and thanks to all of our panel.

Let the Chair recognize himself for 5 minutes for some questions.

Dick, I know that your staff has been working with my staff and John Mica's staff to sort through some of the different trade proposals. What are your thoughts on the consolidation of the various trade programs into one agency?

As you know, we have talked about consolidating trade programs into a U.S. Trade Office or something like that, and particularly in relation to the existing USTR, how would you suggest those pieces fit?

Mr. CHRYSLER. Well, as John mentioned, there are 19 different departments that deal with trade in the Federal Government. We would like to set up a foundation that would bring these 19 different departments under the Office of Trade with essentially three arms to the Office; one a negotiating arm, one an export arm, and one an import arm, so we can better deal with the trade issues.

Mr. OXLEY. So the negotiating arm would essentially be what the USTR does now?

Mr. CHRYSLER. Exactly.

Mr. OXLEY. The promotional aspect of it would be what?

Mr. CHRYSLER. The export and then the licensing of the import.

Mr. OXLEY. Okay. Let me ask Dave Skaggs, how did you get interested in this particular issue, your committee assignment or issues back home? Why particularly this issue?

Mr. SKAGGS. Oh, I think any number of reasons that come together. I happen to represent a district in which Commerce Department laboratories have a major presence, so that would be something that demands my attention initially. But really the Denver

metropolitan area, all of Colorado has been seeing a great expansion of its international trade and business activities, and so there is I think a healthy respect for the environment that we are working in internationally and a very grateful appreciation for the assistance that many of the companies in the area I represent have gotten in trade promotion.

My work on Intelligence and previously on the Science Committee have also made me understand a bit about export administration. I am skeptical of relocating that to State. I think having an independent department that is in a position to balance commercial interests along with political/diplomatic on the one hand, and security interests coming out of the Defense Department on the other, is an appropriate bureaucratic home for that function, a variety of other factors.

Mr. OXLEY. Thank you.

Let me ask one other question to Dick Chrysler regarding export controls, which it seems to me are one of the most contentious parts of this whole proposal. As I understand it, your proposal would transfer these responsibilities to State and the Senate bill would transfer it to Defense, and John Mica's plan would transfer them to the U.S. Trade Office.

Could you give us some pros and cons if we were to undertake that delicate task of what that might entail?

Mr. CHRYSLER. Sure. Very good question, Mike.

In John Mica's proposal to put it in an office of trade, would obviously favor the business community; the Senate proposal to put it in the Defense Department would favor the defense industry. I came up with the proposal of the Treasury Department to put it in a kind of neutral agency.

Now, I am certainly open for suggestions on all of these things to where they ought to ultimately end up. The Department of Commerce has about 100 different programs, 71 of them duplicated someplace else in the Federal Government, and all but 3 of them either duplicated by the Federal Government and/or by the private sector.

You can just about put 97 of them anyplace else in the government and consolidate them. One of the things we did is that we asked ourselves when we started this program, is this program necessary and is it worth borrowing the money for only to have our children pay it back.

And second, if it is necessary, does the Federal Government need to be involved or is this something that was better left to either the community or the States or individuals. If the Federal Government does need to be involved, are we currently doing the best job for the American people in the most cost-effective manner. So looking at those kinds of answers, we tried to find a middle ground, and that is why we put these programs where we did.

Mr. OXLEY. The Chair's time has expired. The gentleman from Michigan, the ranking member of the full committee, Mr. Dingell.

Mr. DINGELL. Thank you, Mr. Chairman.

Mr. Chrysler, your bill would eliminate, transfer and reduce trade and export functions of the Department of Commerce. It transfers the bulk of licensing functions to the State Department. In its June 22 report to Representative Manzullo, GAO cautions,

“that administering the export licensing of dual-use commercial products has always involved a balancing of national security, foreign policy and commercial interests. Therefore, consideration should be given whether placing licensing authority for such products in the State Department would alter the necessary balancing of interests.” The GAO report goes on to describe how U.S. industry complained loudly in the late 1970’s when the State Department accorded commercial trade law a very low priority.

The National Association of Manufacturers has written, “That it cannot support any plan that turns the control of licensing of commercial product over to Departments such as State, Customs or Defense. These functions must remain all together within a department that is primarily responsible for trade, export policies and the competitiveness of American firms.”

Why do you think that the State Department, then, is the right place for transferring the Department of Commerce’s responsibilities for export licensing?

Mr. CHRYSLER. Thank you, Mr. Dingell.

I am really glad you asked me that question because I misspoke when I answered the chairman’s question when I said, I decided on the Department of Treasury. It was Department of State that I meant to say. I just wanted to clarify that.

Mr. DINGELL. Let’s reject, then, the Department of Treasury, assuming that you concede it is not the right place for it. Where then would we place these functions?

Mr. CHRYSLER. The Department of State is what I recommended.

Mr. DINGELL. Well, let’s say the State Department has been rejected and you concur in that. Do you?

Mr. CHRYSLER. I picked that because it was the middle ground between defense and the Office of Trade.

Mr. DINGELL. Well, that National Association of Manufacturers does not so state. As a matter of fact, they say that it is not. The GAO makes the same statement.

Do you agree that the State Department should be the place where this should be put? If so, you disagree with both the GAO and the National Association of Manufacturers.

Mr. CHRYSLER. Well, as I indicated when I answered that same question from the chairman, I would certainly be open for suggestions.

Do you have them?

Mr. DINGELL. Then where would you put it?

Mr. CHRYSLER. Do you have a suggestion as to where you think it ought to be?

Mr. DINGELL. Where do you think it ought to be? I think it ought to be right where it is.

Where would you put it?

Mr. CHRYSLER. I already recommended the Department of State. There are two other proposals. One puts it in the Office of Trade and one puts it in Defense. So I am open for suggestions.

Mr. DINGELL. That puts them at variance with both the National Association of Manufacturers and GAO.

Let’s go then to the export licensing functions. You suggested that those should be transferred from the Department of Commerce to the Department of State. Your bill also transfers activities of the

Commerce Department to the Treasury Department, again Customs.

Last month's GAO report states that: "The U.S. industry in the late 1970's complained that the Treasury Department, which at that time administered U.S. antidumping and countervailing duty laws, was not fulfilling those responsibilities." That is an exact quote.

The National Association of Manufacturers has written a statement for today's hearing that says that while further reform of export functions may be desirable, "eliminating the central role that Commerce currently plays in the system would be a step backward. It would give us a system more regressive than the one which we had in place at the height of the Cold War."

What are we going to do about that? You have a considerable difference again with the GAO and with the National Association of Manufacturers. Do you agree with them or disagree with them on this point or did you consider it?

Mr. CHRYSLER. Yes, we did.

Mr. DINGELL. What was your conclusion?

Mr. CHRYSLER. We recommended what we did, and the Senate has their recommendation on that. Mr. Mica has his recommendations. I think that is—

Mr. DINGELL. So you differ with the National Association of Manufacturers on this point, do you? You think their view should be rejected?

Mr. CHRYSLER. I think the National Association of Manufacturers has come forward and has said that they support the dismantling of the Department of Commerce, as long as there is an effort to preserve the trade functions.

Mr. DINGELL. The National Association of Manufacturers statement is quite clear. They say it should not be put there and they have given a reason why, based on their experience.

Did you consider this matter?

Mr. CHRYSLER. At the risk of repeating myself, yes.

Mr. DINGELL. You did? And you rejected the views of the National Association of Manufacturers on this matter?

Mr. CHRYSLER. The National Association of Manufacturers are anxious to see the Department of Commerce dismantled as long as there are trade functions left in place.

Mr. DINGELL. I am addressing their specific recommendations on this particular trade function on which they do not disagree. Or rather on which they do not agree with you.

Now, your bill abolishes ITA's domestic commercial services offices that provide information and assistance to small business. I have many letters from small businessmen in Michigan who have used the ITA offices, not only there but in Grand Rapids, who have good things to say about these services. The GAO has reviewed the matter, and it says, "Placing the import administration function in USTR would create a considerable administrative burden on USTR, and thus, harm the efficiency with which that function is implemented."

Mr. Chrysler, do you agree or disagree with both the small businessmen of Michigan that the Domestic Commercial Service offices should be expanded instead of being abolished and do you agree

with GAO's assessment that putting the remaining import administration functions in USTR would create big problems?

Mr. OXLEY. Will the gentleman respond to the final question.

Mr. CHRYSLER. Yes. With regard to the USTR, we have said we would make that part of the Office of Trade. The proposal that I am supporting is Mr. Mica's Office of Trade, including the USTR. It would not be appropriate, as you suggest, to put it all in the office of the USTR as we know the USTR today. We need to change our thinking on this and come up with new ideas so we can consolidate the trade issues to do a better job promoting and building trade and creating jobs for Americans.

Mr. OXLEY. The gentleman's time has expired.

Mr. DINGELL. Thank you, Mr. Chairman.

Mr. OXLEY. The gentleman from Virginia, the chairman of the full committee, Mr. Bliley.

Chairman BLILEY. Thank you, Mr. Chairman.

Dick, I wanted to say first that I commend you for your efforts in bringing together the proposal to eliminate the Department of Commerce. You have now given our committee the opportunity to look at the entire Department and ask quite honestly if this is the best bang that we can get for the taxpayers money or if we can't do better somehow. Have you seen any ground-swell from the business community in opposition to eliminating the Department that is supposedly representing their interests or has most of your district been in support of your legislation?

Mr. CHRYSLER. No, I have not had my phones ringing off the hook from people asking to maintain the Department of Commerce. In fact, the Business Week Magazine poll of business executives showed by better than a 2-to-1 margin that they favored dismantling the Department of Commerce.

Chairman BLILEY. I thank you.

Mr. Chairman, I see the red light on. I know I speak slowly, but I didn't think I used up my time already.

Mr. OXLEY. I didn't even give you a chance. I didn't even trigger the green light.

Chairman BLILEY. Well, you don't have to. I yield back the balance of my time.

Mr. OXLEY. The gentleman yields back.

The gentlelady from Oregon.

Ms. FURSE. Thank you, Mr. Chairman.

Of all the Cabinet departments, the Department of Commerce probably has the biggest impact on my district. In fact, my district looks like it was designed for it. It is a fast-growing technology corridor whose economic well-being depends on trade.

They cannot trade unless they have reliable information, patent and intellectual property enforcement and advanced telecommunications. Now, while I have heard from very large companies in my district—Intel, Boeing, Textronix—in their support of the Department of Commerce, I have also heard from many small businesses.

About 130 companies in Oregon have entered new international markets as a direct result of the assistance provided by the Portland office of the U.S. and foreign commercial services. I have also heard from major exporters in my district, and they say that the export control matters must stay with trade, and one company in

my district, Textronix, a very successful company, explained it this way to me: Export control is a three-legged stool. One leg is national security, one is foreign policy, and one is the economic and business community, and if you remove any one of the three legs, you are at a competitive disadvantage because the rest of the world structures its trade functions that way.

Now, it seems to me that as proposed in the Chrysler bill, the Bureau of Export Administration's transfer to the State Department would pull out one of those legs.

Finally, a very important issue for me is the marine function of the Department. It has a huge impact on a district like mine. My district is bordered by the Columbia River and to the West by the Pacific Ocean. The marine functions of the Department of Commerce are vital to my district.

I would like to touch on just a few of them for a moment. This bill basically drops a bomb on programs critical not only to my district but to the entire Northwest, outright killing many programs, severely crippling others through massive budget cuts, and scattering the rest hither and yon through the executive branch.

A classic example of the ill-advised consequences of this bill is its treatment of NOAA. The fishing industry is a major economic force in this country. In my region alone it was a \$1 billion industry up until 1988. This industry is dependent upon sustainable scientific-based management, which NOAA provides through NMFS.

The Chrysler bill outright eliminates all the fishery management. That is extremely shortsighted, in my view. It also makes a specific assault on the Northwest salmon industry. It eliminates funding for the Columbia River fish hatcheries as provided by the 1938 Mitchell Act.

The 25 Mitchell Act hatcheries produce nearly 70 percent of the salmon released in the Columbia River. Similarly, the bill will eliminate State assistance for implementation of the Pacific Salmon Treaty that governs the shared salmon runs between the United States and Canada. Without adequate funding to develop the harvest levels, hundreds of millions of dollars that we in the Northwest have poured into the recovery of the Columbia River stocks will go for naught. Basically, this bill seems to be drafted with a naive understanding of the incredible economic importance of the commercial and sports fishery industry and the thousands of jobs they support.

Now, Mr. Chairman, all of us are elected to represent our districts. I am trying to represent mine. I am sure Mr. Chrysler is trying to represent his. But the problem is when you get elected to this Congress you have to see how policy affects not only your district but the whole country. I remember at the opening of this Congress our new Speaker said that we should visit each other's districts. So I would invite the author of this bill to come to the First District of Oregon, see how the various functions of the Department of Commerce are interrelated.

I would urge my colleagues to make sure that in their zeal to prove that they are downsizing government, they don't do so thoughtlessly. I would urge my downsizing friends to join me in looking at one Agency that has so far escaped cuts of any kind and any scrutiny as to its wasteful practices, namely the Department

of Defense, but I will save those arguments for another day and another committee.

With that, Mr. Chairman, I yield back the balance of my time.

Mr. OXLEY. Well, welcome back, Mr. Mica.

Mr. MICA. I am surprised to be back, but if you have any questions, I am ready.

Mr. OXLEY. Okay, just softballs. The gentleman, Mr. White.

Mr. WHITE. Well, thank you, Mr. Chairman. I appreciate it very much, and I do have a couple of questions for Mr. Chrysler.

But first of all, I would like to point out, Mr. Chrysler, you know, I, too, come from a district that is very involved with trade. In fact, my district, also on the West Coast, just like the gentlewoman from Oregon's, overlooks both sides of the shipping lanes of Puget Sound. In fact, I think we are one of the heaviest trading districts in the country.

I can tell you that from the perspective of my district, at least, at least from people I am hearing from, there is quite a bit of sympathy for what you are trying to accomplish. In fact, there was a big article in the Seattle Times just recently. Secretary Brown came to visit Seattle and made a speech and made some comments about how he thought we should keep the Commerce Department, and yet most of the business community in the Seattle area disagreed because their view was that it is far better for the country as a whole for us to get the budget in balance than for us to use some of those funds to support trade that really can be accomplished, I think, a lot of our businesses think better by themselves than by the government and its helping hand.

So I would encourage you if you do come out and visit Ms. Furse's district, please come up and visit our district, too, because I think you will get a very different perspective on what really drives trade in these various districts.

Let me ask you, just following up on a question that Chairman Bliley asked, he asked what you were hearing from people and businesses in your district in terms of getting rid of the Commerce Department. Are you hearing from other businesses nationwide as to what they think we ought to do with the Commerce Department or what is the general feeling there?

Mr. CHRYSLER. We have had a number of letters from different business associations supporting this dismantling of the Department of Commerce. You know, I guess I have always looked at my district and said if this is good for my district, it also has got to be good for my State and most importantly, for America. To defend the status quo and say that is what we want to keep and not look at new creative ways of spending the taxpayers' money wisely is wrong.

But for the most part, major corporations and certainly major business organizations have sent letters which are included in the packet supporting this elimination and also again the Business Week survey by almost—I don't know if you were here, Rick, when I said that—but Business Week survey of June 5 supported dismantling the Department of Commerce by over a 2-to-1 majority. That was from business executives all across the country.

Mr. WHITE. As I understand it, your bill would retain certain trade functions; wouldn't it? It wouldn't just get rid of them altogether?

Mr. CHRYSLER. Absolutely. We would have a better and stronger trade operation than we have ever had in this government.

Mr. WHITE. How did you go about deciding which functions to keep and which functions to get rid of, what was your guiding principle?

Mr. CHRYSLER. There were 19 different departments of trade in the Federal Government. John Mica might even want to speak to this because he has authored a bill to create an Office of Trade. We felt it was important to keep the negotiating arm and an arm that would deal with exports and imports and consolidate some of these 19 into those 3 areas.

Mr. WHITE. So as I understand it, are you saying that by consolidating some of these agencies and bringing all 19 under one roof, we might actually be able to do a better job promoting trade than we are doing right now?

Mr. CHRYSLER. If we could get to that we could do an absolute better job than we have ever done and compete with any country, anyplace in the world.

Mr. LEVIN. Mr. White, could I comment just very briefly?

Mr. WHITE. By all means, please do.

Mr. LEVIN. Look, Mr. Chrysler's bill would eliminate all the domestic offices of Commerce. All of them. Now, when you say it will be bigger and better, I think you better ask yourself—

Mr. WHITE. I didn't say bigger. I hope it won't be bigger. I hope it will be better.

Mr. LEVIN. Well, all right, smaller and better. I think you need to ask yourself what is the consequence of eliminating all the domestic offices of Commerce. In our State, John Engler, who is not known for his strong pro-government proclivities, and the executive of the county that I come from, who also is a Republican—I wish and hope this isn't really a partisan issue—are using the resources that have been provided by the Federal Government in a partnership with the Federal Government aimed mainly at small- and middle-sized businesses.

Mr. Chrysler's bill takes dead aim and eliminates that program. And it is a little hard to say how it is going to be better when you cut that gut out of the Commerce Department program.

Mr. WHITE. I see my time has expired, so I won't have any more questions.

If I could just say one thing, I have got to tell you I am not a big believer in a government and private sector partnership, because the government is always the senior partner in that partnership, and so I actually think that Mr. Chrysler's bill is designed and I hope it will serve a good purpose by letting people do on their own what they can probably do a heck of a lot better than the government can, and making sure the things that the government needs to do would get consolidated and do those as well as possible.

I yield back my time, although I guess I don't have any.

Mr. OXLEY. The gentleman's time has expired.

The gentleman from Massachusetts, Mr. Studds.

Mr. STUDDS. Thank you, Mr. Chairman.

Mr. Chairman, I want to pick up a little bit on some of the things that the gentlewoman from Oregon was talking about. In my years in this place, I have foisted upon myself a rule that I would not speak on the Floor or even in committee unless I could make a fairly credible case that I had some idea what I was talking about. That has resulted in me talking much less than most members.

It is a rule that I would encourage all members to follow because I think it would expedite our proceedings considerably.

I want to talk about the one-half of the Commerce Department budget that receives two sentences in Mr. Chrysler's testimony.

You say over half the Department's budget is consumed by NOAA. Then you say the functions of this Agency would find a much better home at the Department of Interior or the Fish and Wildlife Service. Just as an aside, the Fish and Wildlife Service is in the Department of Interior, so when you get around to abolishing that, you might give that some consideration.

I want to say this because I do know something about these programs, the fisheries and oceans programs here, and with all due respect to Mr. Chrysler, whom I have never met before, I submit that this is a genuinely mindless proposition. This is half of the Agency, roughly, and the fisheries program is within it.

I am not here to defend the proposition that it is logical to have our Nation's fisheries programs in the Department of Commerce. Over the years I have threatened to put it elsewhere myself, Agriculture, Interior, who cares, as long as they work. However, they could never work wherever the heck they would go now because we couldn't find them ever again.

You abolish some altogether, you transfer them, some of the rest to the four winds all over the rest of the government, and then you defund by 25 percent what is left. Talk about unilateral disarmament in an area where desperately we need help.

Just to walk you through it a little bit, as I understand the bill, we would terminate, not transfer, but terminate NOAA marine pollution monitoring, terminate estuarine and coastal assessments, terminate the NOAA corps, terminate the NOAA fleet, terminate all aquatic activities of the Office of Oceanic and Atmospheric Research, terminate the National Sea Grant College program. I don't know if you are going to get around to proposing terminating the National Land Grant College program, that might be a real popular one, but this is the nautical equivalent and analog of the Land Grant College program. You would terminate all grants under fisheries. That sounds wonderful in the abstract, but what that means is the 8 regional fishery management councils which manage our fisheries programs all over this country have no funding whatsoever anymore.

The three interstate fisheries commissions which are critical, gone; the funding, that is. The interjurisdictional fisheries conservation plans, unfunded; the anadromous fisheries conservation effort, gone; Sea Grant I mentioned; the marine mammal protection responsibilities, unfunded.

We have treaty commitments which, Ms. Furse, these are the law of the land, we don't have the option even if we wanted to not to carry them out, CITES, the Convention of International Trade and Endangered Species. There is an obligation on the part of the

Commerce Department to contribute to that one. The Treaty of the Antarctic Marine Living Resources, the Pacific Salmon Treaty and others, these are the law of the land. They are lawful obligations of the United States, and we can't simply decide to abolish them or neglect them or unfund them.

You transfer fisheries enforcement to the Coast Guard, you transfer fisheries research to the Department of Interior, and what happens to fisheries management? It is gone, there is not even a mention of it. That is why we have research. That is what we enforce. It disappears altogether. This is staggering. This is truly breathtaking.

Now, this may be a small part of the government, but it is a large part of this Department, roughly one-half or less than half for the fisheries stuff. But my goodness, we really have an obligation to the people we represent to think a little more carefully about what it is we propose to do here.

Someone who came and said, look, let's take all the fisheries programs and put them in the Agricultural Department, I think you could make a rational case or the Interior Department, but to scatter them to the winds, to defund them, to unfund them, to terminate them wholesale—I realize, Mr. Chairman, this is not the jurisdiction of this committee, it is the jurisdiction of the committee I once loved very much, but that is another story—but I do know something about this, and believe me, I will have something to say about this if we take this proposition seriously.

I find it difficult, frankly, to believe that we would. I am not an expert on the rest of what the Department of Commerce does, which is most of what I think you are addressing and the others, though I tend to agree with Mr. Skaggs and Ms. Furse in that regard as well. But on this area, with regard to the National Marine Fisheries Service, with regard to the coastal and ocean programs of the Department, these are vital and they need more, they don't need less.

We have multibillion dollar industries in this country suffering in danger of extinction in New England, and in real trouble in Alaska and otherwise. I don't know if you have had an opportunity to discuss this with your colleague from Alaska, but you might get some fairly colorful response from him with regard to what defunding the Pacific Fisheries Management Council for example in the North Pacific and other things.

These are very important programs. They are fairly modest programs, but they are life and death to an awful lot of people and an awful lot of interests in this country. And the resources they oversee, the living marine resources of the country are essentially public resources, and if we don't manage them wisely and well, we will have to answer to higher authorities than any that reign in this House.

Thank you, Mr. Chairman.

Mr. OXLEY. The gentleman's time has expired.

Does anyone on the panel wish to respond?

Mr. CHRYSLER. I believe that he has absolutely made my point. What do these programs have to do with Commerce, number one; should they really be in the Department of Commerce? That is why we ought to dismantle the Department of Commerce. Many of the

programs he spoke of are duplicated someplace else in the Federal Government.

Mr. LEVIN. Could I just say briefly that dismantling is not the same as destruction. I think that is your point, Mr. Studds. Someone used the word "mindless" here. I think mindful reform is essential, but mindless change is not something that should be embraced whether it is in fisheries or whether it is destroying the domestic offices of Commerce. We need a response to that at some point, what happens to them. They disappear along with the fisheries.

Mr. CHRYSLER. Could I respond?

Mr. LEVIN. Yes.

Mr. CHRYSLER. Just to illustrate how unnecessary these field offices are, we could consider the Salt Lake City field office of the Department of Commerce. I understand that 90 percent of the questions received in that office regarding international trade are routine and repeat questions, and I am sure that is the case for most of these offices.

Mr. LEVIN. Well, Mr. Chrysler, and I will finish—go not to Utah but to Michigan.

Mr. CHRYSLER. I have been there.

Mr. LEVIN. All right.

Talk to the offices in Michigan. Those offices provide 2,500 businesses with information annually, and I don't think you will find that they are useless.

Mr. OXLEY. The gentleman's time has expired.

The gentleman from Idaho.

Mr. CRAPO. Thank you, Mr. Chairman.

I, too, would like to begin by commending you, Mr. Chrysler, for bringing forth this opportunity to critically review the functions of the Department of Commerce. I was in a luncheon today where we were discussing the fact that we have a climate now in the Congress where nothing goes unquestioned and where we are evaluating each function of government to see whether it is a proper function.

I think that we can generally agree that our experiment with big government has failed, and we are now trying to find the essential functions of government that we must operate. And I noted with interest in your testimony that leaders of small and large companies, in your opinion, would be better served if our Federal efforts were focused on cutting taxes and enacting true regulatory reform and achieving a balanced budget. And it was also interesting to me to see that the Business Week poll mirrored exactly these same results.

What I would like to do, though, is talk to you for a minute about the trade issue because it appears to me that if there is one area here other than some of the details which I think are going to have to be worked through on some of the issues that have been raised here today, if there is one major issue that jumps out where there is a question that is raised, it is how we deal with the trade issue.

I noticed in the testimony of the National Association of Manufacturers that they indicate that if we do not have an Office of Trade or something of that nature, and they indicate with a Cabinet-level status, that we may not be doing the kind of service that

we should be doing in terms of the United States performing its proper role.

Mr. MICA, I am going to ask you for your comments as well. The real question I have is do you feel that it is proper and accurate to say that we need to recognize the importance of the Federal role in our global trade relations and trade issues and does that role require a Cabinet-level status office?

Mr. CHRYSLER. We feel there are two boxes on the organizational chart right now, the USTR and the Department of Commerce, both sit at the President's table, and we feel it is important enough for the Office of Trade to have representation at that table.

Mr. CRAPO. Thank you.

Mr. MICA?

Mr. MICA. First, Mr. Chairman, I just want to respond to the gentleman from Massachusetts for a second.

Mr. CRAPO. Do it quickly so it is not all on my time.

Mr. MICA. Well, about getting into areas which we know nothing about. I have to confess that this job does cause you to stray from time to time, but I do want to answer your question, and I think I do have some knowledge of how this, the current Commerce trade functions do operate. We, in fact, do have Cabinet-level status retained here.

We think it is very important to have that, but we do have a consolidation. If, in fact, we eliminate the Department of Commerce or we do away with that function and send the functions in other areas as has been proposed by Mr. Chrysler, we maintain that position as a Cabinet-level status.

Mr. CRAPO. All right, thank you.

Mr. Chrysler, as I was reviewing the details of the bill, I realized that my categories may not match your categories, but I was going through to see just how much we were actually eliminating from government and how much we were transferring to some other department or some other agency, how much we were privatizing, and I noticed there were even some provisions in which assets of the government will be sold out. And in the categories I was looking at, we eliminated about 13 functions, we sold assets in a couple functions, we have transferred about 13 functions, and we have privatized about 5 functions.

What I am getting at here, and I would like your overall input here, is one thing that I think we must recognize is that in eliminating any department or Cabinet-level office, there are going to be some things that have to be retained. For example, in this case, the Bureau of Census is constitutionally required, as is the Trademark and Patent Office. There are other functions, some of which have been identified by members of the committees, that are critical Federal functions and would be truly justified in a close analysis.

When all is said and done, how much of an actual elimination of government do you think we will see if your bill were enacted as opposed to simply a transfer of functions?

Mr. CHRYSLER. You know, it is from personal experience, by the way, Mike, that I speak to this issue, and real world experience, as my colleague from Michigan talks about. Ninety-seven of the departments are, in fact, duplicated someplace else, so that means there are only 3 unique. And you are exactly right, Census and

Trademarks are 2 of those. And what we would actually see as a reduction is about 40 percent of the Department of Commerce, about 10,000 employees out of 36,000 that are currently there.

Mr. CRAPO. Thank you.

Mr. OXLEY. The gentleman from Massachusetts, Mr. Markey.

Mr. MARKEY. Thank you, Mr. Chairman.

Just for the record, with all due respect to Mr. Chrysler, while he may never have used the Department of Commerce, we have a letter here dated July 24 from Aetna, Bethlehem Steel, General Electric, McDonnell Douglas, Proctor & Gamble, Raytheon, Occidental all going down the list, about the invaluable service which the Department of Commerce has played in their trade relations with other countries. And so I imagine if you polled all of the business executives in Business Week, the two-thirds that don't have overseas business have been able to get along without it, fine, they can eliminate it. But for the one-third that are looking overseas, the one-third that are exploring these global marketplaces, those are the ones who of course respond positively, they need help.

Every other government in the world is helping their companies, as you well know, if you have done that work overseas. They don't go in unarmed. The French Government is helping the French, the Germans are helping the German, the Japanese are helping the Japanese companies, and our companies you think could go unarmed without their government behind them? Junior partner? No, partners. Because they have a partner, each one of these Japanese, German, French and other industries going into Africa, Asia or any other part of the globe, as you know.

So I just want to put this in the record that there are many, many very important large well-recognized companies that want to see this function retained.

Mr. OXLEY. Without objection.

[The letter referred to follows:]

July 24, 1995.

HON. EDWARD J. MARKEY

*House of Representatives, 2133 Rayburn House Office Building
Washington, DC*

DEAR CONGRESSMAN MARKEY: As the Commerce Committee considers the future of the Department of Commerce and its many functions, we would again like to underscore the critical role the department plays in advancing the interests of American business. There is certainly room for improvement and streamlining, but we are convinced that certain essential functions and responsibilities must be retained.

We believe the Executive Branch must retain a department-level advocate for trade. There is no doubt that expanding trade is key to our nation's economic growth. Just as Congress has long recognized the critical importance of your committee to its deliberations, so too must the Executive branch have a source of expertise on the issues facing our nation's industrial exporters. Virtually every other sector of our economy—agriculture, transportation, banking, and mining, to name a few—has representation in the President's cabinet. It would be a grave mistake not to give the same priority to our nation's industrial sector.

Similarly, a department representative is essential if we are to have an effective advocate with foreign governments. Much of our trade activity involves convincing foreign officials to have their governments favor the buying of American products over those of our competitors. Abolishing such representation would leave us without the senior-level advocacy that we know is so critical. We cannot expect foreign governments to take U.S. exports seriously if our own government is saying that the promotion of American exports and direct investments are not a priority.

Having won the cold war, the United States must now lose its position as the world's dominant economic and political power. We cannot do that, however, if we blind ourselves to the needs of the industrial sector of our economy. For the United

States to take such an action would only confirm what Will Rogers said, "America has never lost a war or won a peace."

We urge you to keep these points in mind as Congress reforms the functions of government. We would be pleased to share with you more details of our experiences and would be glad to offer whatever assistance we can to your deliberations.

Sincerely,

ABB, Inc.; Allied Signal Inc.; Armstrong World Industries; Coming; Florida Futures of America; Hewlett Packard; Litton; McDermott; Occidental Petroleum; Raytheon; Stone & Webster; Texaco; TRW, Inc.; Westinghouse; Aetna; ARCO; Bethlehem Steel; Dresser Industries; General Electric; Hughes; Loral; McDonnell Douglas; Procter & Gamble; Rockwell; Tenneco, Inc.; Textron; United Technologies.

Mr. MARKEY. I thank the gentleman very much.

As well, I might note, the various agencies, the various subdivisions here that you are talking about, NOAA is 50 percent of the budget. Well, we would have to do a detailed critique of each one of these programs, but I would think that it would make a lot more sense for us to go through it program by program than just to say, well, 50 percent of the Department of Commerce can just move over here and it is going to be absorbed by the Department of Interior.

You might have the minnow, you know, having a whale show up. The capacity of the Department of Interior to monitor this level of function is something that I would like to have explored quite in detail. I think you have got it backwards in terms of who might be better suited in many of these issues.

By the way, fishing is a commerce, it is an international business. For anyone that wonders why fishing would be in Commerce, it is a major function of commerce in our country. The Census Bureau, what is that, maybe 10 percent of the budget?

Mr. CHRYSLER. \$400 million.

Mr. MARKEY. Where would that go? Patent and Trademark, I agree with you, we should go through the corporate welfare item by item and tease that up, but we can do that quite simply. And on the trade function, you know, you are moving the Export Administration over to State. Well, as you know, State does not right now have any expertise with dual-use items, and dual use, the computers, the telecommunications equipment, the other items that could be used for military purposes, for nuclear weapons construction is not really part of the expertise of the State Department right now. That is a risk, that is a big risk, and it is one that we have thought over the years that is better to have these functions separated so you have a good discussion within the government. Because clearly, the short-term foreign policy objectives of any particular State Department might be outweighed by the longer-term nonproliferation goals or even commerce goals that we might have, and having different functions advocated by different agencies is in fact healthy from my perspective.

If you are so concerned, if you can tell me, why don't you go to the Nuclear Regulatory Commission and the Department of Energy and get their nuclear power plant and other nuclear-related technologies and take that away from the Nuclear Regulatory Commission if you are going to take the dual-use licensing away from the Department of Commerce? Could you tell me what your thinking was in not going after the nuclear power plant and other nuclear-material-related issues that are in other agencies?

Mr. CHRYSLER. Sure, there was and is a proposal to dismantle the Department of Energy which would have addressed that issue, and certainly the reason for these hearings is so we can have a fair and open hearing on all of these items and talk about them.

The letters you talked about, dealing with trade, with Mr. Mica's proposal, we want to make sure that we have an Office of Trade to do a better job for those very corporations that you are talking about. With Robert Reich saying we should eliminate corporate welfare, those are some of the largest corporations in the world, and I am not sure we should be spending taxpayers' money on them.

Mr. MARKEY. Would you transfer the NRC functions and the DOE functions over to State?

Mr. MICA. Could I respond?

Mr. CHRYSLER. Sure.

Mr. MICA. In Mr. Chrysler's legislation he does, in my bill, we do not.

Mr. OXLEY. The gentleman's time has expired.

Mr. MARKEY. NRC as well, Nuclear Regulatory Commission, export licensing?

Mr. MICA. No, we do not.

Mr. MARKEY. Why not?

Mr. MICA. Well, again because of the functions they serve. Actually, I have been involved in some licensing things and I think you need to maintain that independence, and it should be within the U.S. Trade Office, a separate office other than State or DOD or something else.

Mr. MARKEY. But why NRC? The other materials are just as potentially dangerous, the other dual-use items are just as potentially dangerous out on the open global marketplace.

Mr. OXLEY. The gentleman may respond.

Mr. MICA. Well, again, we think that there should be someone independent. We have created an independent trade office and maintained that function with it, both for licensing and also the area that you are concerned with.

Mr. OXLEY. The gentleman's time has expired.

The gentleman from Georgia, Mr. Norwood.

Mr. NORWOOD. Thank you, Mr. Chairman.

Dick, let me start by first saying that I indeed would like to commend you in your efforts to at least bring this proposal to the table, at least just starting the discussion as to what we might do about Commerce, although I feel like you must have put yourself in an unenviable position. Congressman Levin said, "that having served the business interests," and I presume by that meaning Commerce having served business interests, and we are hearing also that multibillion dollar industries that don't need lists but need more from Mr. Studds, I am not sure what needing more means, but I presume it means needing more Commerce Department money.

I wonder if you are being covered up with telephone calls from big business complaining to you that your bill is this absolutely terrible thing to close the Department of Commerce and try to consolidate it in a different fashion so that we might perhaps save a few dollars and get this situation in hand.

Mr. CHRYSLER. No, I am not, Charlie, at all.

Mr. NORWOOD. Are you hearing from big business at all?

Mr. CHRYSLER. Only with respect to their interest in Mr. Mica's proposal on the Office of Trade, that is where their interest is, to be able to better compete in global markets.

Mr. NORWOOD. In other words, are you hearing from small business complaining about your bill?

Mr. CHRYSLER. No, and I also might add that only 4 percent of the Department of Commerce has to do with trade, so we are talking about the other 96 percent primarily.

Mr. NORWOOD. Mr. Chairman, I am going to ask Mr. Markey to let me have a copy of the letter that he asked to be submitted to the record of large businesses that oppose Mr. Chrysler's bill. And as soon as I can mark up how much taxpayer funding they receive each year, I would like to resubmit it again back for the record so that we might have that little bit of information also. [The letter appears on p. 47.]

[The information follows:]

Here is a brief partial breakdown of Federal dollars received by some of the signatories to the letter to Mr. Markey during fiscal year 1994 (most recent figures available).

From Defense Contracts:

McDonnell Douglas—\$1,736,324,000; Raytheon—\$534,180,000; Rockwell—\$303,993,000; Westinghouse—\$198,534,000; General Electric—\$92,000,000 (approx.)

From Tax Deferrals/Breaks: Current accumulated Deferred Income Taxes (approx.) (as supplied from publicly held corporation annual reports):

Rockwell (1995)—\$303,000,000; Proctor & Gamble (1995)—\$804,000,000; McDonnell Douglas (1995)—\$653,000,000; ARCO (1994)—\$2,721,000,000; Occidental Petroleum (1994)—\$2,050,000,000; Aetna (1994)—\$81,400,000; Bethlehem Steel (1994)—\$1,286,000,000; General Electric (1994)—\$1,023,000,000; Westinghouse (1993)—\$211,000,000; Texaco (1993)—\$178,000,000; Raytheon (1992)—\$21,800,000.

Mr. NORWOOD. And I will conclude simply by saying that their words were used here as mindless action concerning our efforts to look at the Department of Commerce in a way that I think normal people would look at any large agency of the Federal Government that is spending billions of dollars. I think I probably would wonder why if this Congress has been so brilliant for so long we might not have considered it some mindless action to get ourselves into a \$5 trillion debt, why is it you as a freshman have to come up here and say, let's take a look at the Department of Commerce? Why wasn't it done 4 years ago, 3 years ago?

I commend you, sir, for bringing this to the table.

Mr. OXLEY. The gentleman's time has expired.

The gentleman from Illinois, Mr. Rush.

Mr. RUSH. Thank you, Mr. Chairman.

Mr. Chrysler, I, too, want to join with my colleague from Oregon and invite you to my district to see the impact of some of the work that the Department of Commerce has engaged in.

Let me just bring you up to date in terms of what is happening, even as we speak. As we speak, and as we are in this session here there are funerals being held in the City of Chicago right now, people who have, my constituents, the elderly constituents, people who have died from the massive heat wave and died of heat-related causes in the City of Chicago. As a matter of fact, at last count, the last count that I heard was 466 people perished as a result of the heat. And I tell you, I have to take my hat off to the National

Weather Service who did a fantastic job in terms of forecasting the heat wave and issuing a heat advisory, as much as 5 days in advance.

If your bill passes, the Weather Service budget would be cut by 25 percent below the 1994 levels. Historically, the National Weather Service has saved lives of Americans, historically, it has alerted all of us to the impending dangers of weather, weather-related dangers.

Now, if we are to cut 25 percent below the 1994 levels for the National Weather Service, that means that we will probably have to close at least 62 of the 118 offices, and the offices that serve Chicago in Romeoville, Illinois, will probably be one of these offices that we would have to close.

Now, my question is, is there any justification, in your mind, for putting large segments of the population at risk to severe weather events, not only the heat but snow, rain, tornadoes, hurricanes, other kinds of natural disasters?

How do you want me to tell my constituents in the First District, how can you tell your constituents that they should not and will not be properly warned of what potentially would be devastating weather events and how can you ask me at this point in time to support a measure that comes on the heels of the tragedy that we are experiencing in the City of Chicago? Again, the National Weather Service, a part of the Department of Commerce, did a remarkable job in alerting not only the citizens of Chicago but the citizens across the Nation about this heat wave that cost lives throughout this Nation.

Mr. CHRYSLER. The direct answer to your question is no, we should not put people in that kind of danger, that kind of risk. Most of the department, the weather part of NOAA, which is about half of it, is duplicated many, many places in the private sector, and those forecasts would be there and probably maybe even be more accurate if we had them done by the private sector.

You know, I asked myself two questions about these programs, Mr. Rush, and one of the questions was does the government need to be in this business, number one? And number two, is this program worth our children having to pay for it, because we aren't going to pay for it. It is going to be passed on to the burden of our children, and so that is why we came to the conclusions of many things that we did.

I would also like to remind Mr. Rush and Ms. Furse that Chairman Clinger is having Government Reform and Oversight field hearings, started last Friday in Cleveland, this weekend they will be in North Carolina. We are going to move them all over the country so that we can hear from people all across the Nation on what we are referring to as 21st Century government, a little less government and lower taxes and letting people keep more of what they earn and save and ways to do that, interviewing successful mayors, county executives, Governors, private business executives on how they have been able to find a way to downsize and privatize and use different vehicles in order to get a better bang for their buck. We are going to try to learn that so we can do that in the 21st Century.

Mr. OXLEY. The gentleman's time has expired.

Mr. RUSH. Mr. Chrysler, let me just follow up with one additional question. You said that the private sector now duplicates what the National Weather Service does and they can do it more efficiently. Can you tell me where in the private sector?

Mr. CHRYSLER. Many of the functions of the National Weather Service are duplicated in the private sector.

Mr. RUSH. Where, though? Where?

Mr. CHRYSLER. Well, one that was interesting brought up by my colleague from Colorado was the Doppler Weather Service.

Mr. RUSH. Doppler Weather Service. And they duplicate what the National—is this a local weather service?

Mr. CHRYSLER. It is all across the country we have weather service predicted on a private basis, and sold to television stations and radio stations across the country.

Mr. OXLEY. The gentleman's time has expired.

The gentleman from New York, Mr. Frisa.

Mr. FRISA. Thank you, Mr. Chairman.

I think we have seen an abject lesson here today as to why it is so frustrating and why it has taken so long for the elements of possible reform and change to come about in this town.

Now, the gentleman from Michigan, Mr. Chrysler, myself, and some of the other members here are brand new to this Congress. We were sent here by our constituents last November to try to really bring about change and not just talk about it like so many people in this room, like so many people down Pennsylvania Avenue who constantly talk about us as a Nation having to have the courage to change. Well, I guess those are empty words.

So I guess, Mr. Chrysler, you and I and the rest of us should just take our reform legislation to take a new look, a fresh look and evaluative look at the Department of Commerce and other agencies and just forget about it and go along building up deficits, add more agencies.

I have in my hand here a directory of just the different branches and offices of the Department of Commerce. It goes on for pages. I don't even know what these people do.

I don't think those people know what they do. But they sit there, they have telephones, they have offices, and they are busy and they are working. And God only knows what they are doing. But they are costing us billions of dollars.

I think it is about time we take a hard look at this and I think some of the insinuations and the inferences and implications that have been made about you and your motives and your efforts here today are just horrible. And I would say shame on the members on the other side who would call into question the motives of this gentleman. This gentleman started a business from scratch and worked very hard and employs hundreds of people now, he has become very successful, and I dare say it was without the benefit of these nameless, faceless bureaucrats, well-intentioned, I am sure, who do nothing but occupy pages and pages in this phone directory.

I think we should all pause, take a moment and reflect, how did this country develop industrially from its inception? It certainly was not with a Department of Commerce. It was from a free marketplace, capitalism, available markets and entrepreneurial spirit.

It was individual ruggedness that enabled us to be where we are today.

I think it is a shame that we as a Congress, as members of this body, would call into question dismantling an agency that is not required. Some of the functions are necessary. I think we all agree, Mr. Chrysler stated that, Congressman Mica from Florida stated that, correctly, and we should retain those. But let's get rid of the deadwood finally, let's save billions of dollars.

Mr. Chairman, I look forward to working with you and this entire committee so that we can bring about the elimination of this wasteful department to benefit our taxpayers, reduce the Federal deficit, and that is the best thing we can do to help encourage business.

I yield back the balance of my time.

Mr. OXLEY. The gentleman yields back.

The gentleman from Florida, Mr. Deutsch.

Mr. DEUTSCH. Thank you, Mr. Chairman. We have had a lot of debate back and forth across the aisle, and I would like to point out just a couple of facts to my colleagues, particularly the freshmen Republicans that prior to myself and I guess a number of the members on this side of the aisle who were elected in 1992, prior to us being elected, the prior 12 years a Republican served as President of the United States with veto power over appropriations bills. Four of those 12 years Republicans controlled the U.S. Senate, presumably able to not pass appropriations bills. And so the sort of plague on America of a \$5 trillion deficit is clearly not the work of either political party on its own.

Just to add maybe a voice of common sense and reason of the status of America, which some of my colleagues on the other side have described this afternoon as, you know, dismal and bleak and everything else. I mean, that is not the America that I live in and I don't believe it is the America that you live in.

I think all of us really should take pride in the fact and really blessing in the fact that we live in a country that unquestionably has provided the greatest quality of life in the history of the world and the greatest, not just physically but really emotionally and spiritually in many ways as well of all of our problems. So I just would temper any comments regarding that.

Let me also mention specifically to Mr. Chrysler that I also welcome you to come to my district, a district in the southeast part of Florida, a district which suffered in 1992 the greatest physical damage in this country's history with a hurricane where the Weather Service did an excellent job. There was essentially no loss of life, with almost \$30 billion loss of property damage because of the Weather Service's action during that endeavor under Republican administration, and the private sector. Again, I have to follow up, just knowing the specifics of some of these programs, yes, there are private weather services, but they do not have any satellites. It would be pretty tough to be predicting weather without satellites, so when you say the Weather Service could be privatized, you know, it doesn't make any logical sense. That is a common service that government needs to function. It is just not going to work on any practical basis.

Besides those functions, weather service functions and fisheries functions—and my district is one of the districts in the country which has a disproportionate effect in terms of those types of functions—let me focus on the trade issue because I think that is really where the thrust of your bill is really coming from, and be responsive to that.

I have read through your testimony and have heard your testimony as well. I think you work, you come to this debate with a fundamental nonunderstanding of how policy is made through administrative process, and I say that with all due respect. And having worked with the Trade Representative, Mr. Kantor over the 2½ years that I have been here and working with specific companies from my area, from South Florida that have had problems overseas on a variety of issues, the Trade Office has a specific function. It is an extremely small office dealing with GATT issues, with trade issues directly. It is a unique piece of legislation which really seems to be working relatively well.

It is not the Department of Commerce, and what I have seen as a Member of Congress over the last 2½ years, that there is actually a bureaucratic function that Commerce has by being at the table, at the table at the level of Cabinet-ranking, that by what you would do would eliminate that function.

If any of those functions are, let's say, transferred to the State Department, that would be about the worst possible scenario. I have personal experience as a Member of Congress dealing with trade type issues with the State Department versus the Commerce Department, because every time you deal with one of those type issues with the State Department, there are 500 reasons why they shouldn't do something. They will give you more than that because that is not their mission. People respond to their missions. The Commerce Department's mission is different, and it works from a bureaucratic basis when we are setting up a process to get the result. That is what I really urge my colleagues to do. I have done it with specific businesses and it just doesn't work the way you hope that it would work.

Mr. OXLEY. The gentleman's time has expired.

The gentleman from Ohio, Mr. Brown.

Mr. SHERROD BROWN. Thank you, Mr. Chairman.

I would like to follow up on some of the trade issues that my friend from Florida mentioned.

In May, as you know, the most recent month where figures came out about our trade deficit, we set a record in May with a \$11.4 billion trade deficit, breaking the April record of a month before. And it seems every month our trade position in the world gets worse, and you can make the argument that the trade agreements we write, whether they are GATT or NAFTA, or previous trade agreements may or may not have been written properly from America's interests standpoint, but it is pretty clear that our trade deficit in large part is because every other Nation in the world, as Mr. Markey mentioned earlier, every other industrialized nation in the world works in partnership, their government and businesses and labor work in partnership. We are the only country in the world that doesn't seem to see things the same way.

I think that the Department of Commerce particularly recently has understood that better than its predecessors. And I think we as a Nation and certainly business in this country understands that partnership between government and business in helping us export.

In the last 3 years I visited probably 130 or 140 small businesses in my district, mostly manufacturing concerns. And one of the major points they bring forward to me is we want government assistance, not subsidies, but we want some government assistance in helping us figure out ways to export. We make a world class product, we can't afford what Ford or TRW or larger companies might be able to do. We can't afford accountants and lawyers and figuring out ways to read the market in Hungary or Taiwan or Slovakia or Nigeria. We can't figure out ways, we don't have the expertise to know how to do licensing and joint ventures in South Korea. We don't know how to get financing abroad in India. All of those places that there are business opportunities, that large businesses can reach, small businesses simply can't.

In fact, small business accounts for 24 percent of the manufactured value of goods in this country, yet only 12 percent of exports. That says to me that those smaller businesses can play a major role in cutting that trade deficit markedly from \$11 billion deficit a month to somewhere approaching much less than that.

There have been statements today, you said that businesses don't seem to be coming forward saying they need the Department of Commerce, not even debating that, although I don't agree with that, there is a letter to Senator Domenici and Representative Kasich sent by major CEO's, of May 17, saying how important it is for job creation of large business. Mr. Markey mentioned another letter about how important the Department of Commerce is for large business. But let's talk briefly about small business and the kind of help they need.

If the Department of Commerce and Assistant Secretary Barram was just in Cleveland 2 weeks ago with me opening the Export Assistance Center there which exactly meets the criteria and the request that those small businesses around my district and around northeast Ohio and all over this country are asking for some assistance, some ideas, some technical help, in a very small office of, I believe, 7 people in that office in Cleveland, the Export Assistance Center, and that will make them be able to figure out how to export and sell their world class products outside the United States, the technical expertise they don't now have. Where do these small businesses turn?

Mr. CHRYSLER. May I respond?

Mr. SHERROD BROWN. Sure.

Mr. CHRYSLER. Certainly in the age of fax machines and Internet capabilities, most companies can access the information they need without a network of 73 field offices. Private sector companies all the time assist other smaller companies in trade, that is a function that they do, and the Department of Commerce is not the lead Agency in trade. In fact, only 4 percent of the Department of Commerce is trade. Trade is very important. I think Mr. Mica wants to—

Mr. LEVIN. Mr. Brown, could I—

Mr. SHERROD BROWN. Just because 4 percent of the Department of Commerce is devoted to trade doesn't mean that the Department of Commerce isn't essential to trade in this country.

Mr. LEVIN. Mr. Brown, look, you have here two members of the majority party who have very different ideas about what a trade department should look like.

Mr. CHRYSLER. No, we have exactly the same ones because I am a cosponsor on his bill.

Mr. LEVIN. You may be, but you are flailing all over the place. You would destroy the domestic offices, right? You would eliminate them. You would eliminate the Trade Development Section. You would eliminate the International Economic Policy Division. Mr. Mica's plan does not eliminate any of these.

Mr. OXLEY. The gentleman's time has expired.

The gentleman from Louisiana.

Mr. TAUZIN. I thank the Chair. I'm so quiet you almost missed me. First of all, let me tell you that I find it strange, frankly, that Presidents come into office without a major overhaul of their Cabinets, they simply adopt the old structure and appoint people to it and run it as though it is the best vehicle for them. I, frankly, want to commend you for raising the issue, isn't it time for us to look at reorganization of Cabinet offices and perhaps see if there isn't a better, more efficient way to do some good work.

But let me quarrel just a bit quickly, Mr. Chrysler, with one of your premises, and that is the 1913 act which created the Department of Commerce, which said it was creating it to promote commerce at home and abroad, results in something you call corporate welfare. I think of welfare as encouraging people not to be productive, rewarding people for either not being productive or not wanting to be productive.

To me, promotion of business both at home and abroad is a worthwhile function of government, and a worthwhile function of some department of our government, whether we call it a Commerce Department or something else.

But having said that, let me again commend you. I think it is time we look at how we organize things and how we in fact run these executive agencies. My complaint, frankly, with the Commerce Department is not with the work it does to promote industry. Some of its agencies, in my opinion, work exactly the opposite way.

It is NMFS working under NOAA which resulted in the loss of half the fishing fleet in Louisiana. Unlike the gentleman from Massachusetts, I would be very frankly pleased to see you move that function to the environmentally sensitive Interior Department instead of leaving it in the Department that is supposed to be promoting the fisheries industry. It is literally destroying it at home. It has gotten so bad that a court in New Orleans recently vacated a bunch of its fines because it didn't even have the courtesy of giving fishermen due process before it fined them out of existence. So my problems with the Agency are many, and reorganizing it is not a problem for me.

But let me cut to the chase with both of you. Mr. Frisa said we should not be questioning anybody's motives here. Motives are being questioned, so let me hear your response to it quickly.

We are told this is just a trophy hunt, you just want to eliminate some department of government and why not one that allies of Republicans and business-oriented groups, such as the Republican party, why not pick on one of your own, eliminate it, then you can go about your business and say we have got a trophy now, we have eliminated a Cabinet department, particularly one where the Secretary is under some personal difficulties, under private investigation by independent counsel, easy target, easy trophy. What is your response?

Mr. CHRYSLER. Well, certainly there were 4 agencies that were looked at: the Departments of Education, Energy, HUD, and Commerce. Commerce happened to be the one that was also put into the Budget Resolution by the Senate, so we had some concurrence with the House Budget Resolution and the Senate Budget Resolution on the Department of Commerce, and certainly we just, you know, looked at this whole thing when we went through it.

And we had a number of people from Congress, mostly freshmen, but some sophomores that were on our committee, we had some private sector people, we had some ex-department officials, including the former head of the Department of Commerce, Mr. Mosbacher, and we just looked at each program and said is this program necessary, should we be in it, should we be asking our children to pay for it? And if it was necessary, the program was necessary, then we found ways to streamline it, make it more efficient, more effective. Because I think that is what the American people are demanding of us: a little less government, a little lower taxes, letting people keep more of what they earn and save, let people make their own decisions how they spend their money, not government, and so with that basic premise and with the concurrence of the House and the Senate, we brought it forward.

Mr. MARKEY. Mr. Mica, defend the argument of trophy-hunting, and you are after a secretary—

Mr. MICA. A quick response of something I learned from you, Mr. Tauzin, and the distinguished gentleman, Mr. Dingell, in my first term. I had only been here a few months, as you know, but you taught me that 218 votes beats the best argument in the House, and I think they have 218 votes. So it is incumbent on the rest of us that establish the rest of the policy to see that we do a responsible job, that trade, that people have a concern about is retained, and in a responsible manner.

If you are concerned about the Weather Department and each of those, these are each going to be battles we are going to have to fight. But regardless of anything else, the election last time sent people here to make a change. They are down to their last opportunity for change, and I think they have the 218 votes to do it, and we should work with them in a responsible fashion to see that we create something responsible.

Mr. OXLEY. The gentleman's time has expired.

The gentleman from Illinois, Mr. Hastert.

Mr. HASTERT. I thank the chairman. I will try to be as brief as possible. As I have listened to this, I think probably everything has been said, but as they say, not everyone has said it today.

I commend the gentleman from Michigan and the gentleman from Florida for bringing forward some ideas. I think we need to

examine, this committee needs to examine why industry and business activity in the free enterprise system needs to have government involvement, why does the government need to have a weather station, why do we need to be involved in government decision-making processes? And if we don't have the answers, then maybe the answer is that the government should be involved, but somebody has to ask them. If not you, who, if not when, now.

So do it, and go forward. Don't let yourself be browbeaten by my good friend from Michigan who sits between you and would like to push you out of the whole argument. But you have got to do it. You have got to ask the questions.

I am sitting right here with a report in front of me, with another government agency that if it shouldn't be done away with, it should be severely cut, so go forward, be brave, and we will watch what you are doing, and good luck.

I yield back.

Mr. OXLEY. The gentleman yields back.

The gentelady from Arkansas.

Mrs. LINCOLN. Thank you, Mr. Chairman.

I would ask unanimous consent my opening statement be included in the record.

Mr. OXLEY. Let the Chair state that this is the longest members panel in history, and all members, including the Chair's opening statements, will be made a part of the record.

[The prepared statements of Hon. Michael G. Oxley, Hon. Thomas J. Bliley, Hon. Jack Fields, Hon. Greg Ganske, Hon. John D. Dingell, Hon. Blanche Lambert Lincoln, and Hon. Bobby L. Rush follow:]

PREPARED STATEMENT OF HON. MICHAEL G. OXLEY, CHAIRMAN, SUBCOMMITTEE ON
COMMERCE, TRADE, AND HAZARDOUS MATERIALS

On November 8, 1995, the American people sent Congress a clear mandate—less government, less taxes, and less deficit spending. Today we are working towards fulfilling that mandate, by creating a new vision of a leaner and more effective government.

I would like to thank my good friend Representative Chrysler for his fine work in developing the Commerce Dismantling Act. I would also like to thank Commerce Secretary Ron Brown and our other witnesses for agreeing to join us today to provide some different perspectives on eliminating or restructuring the Department of Commerce.

The Department of Commerce is a \$4.2 billion agency with over 36,000 employees. It's functions include marine and atmospheric management, technology programs, development grants, statistics and information gathering, trade, patents, and telecommunications. President Clinton has requested an increase in the Department's budget for fiscal year 1996 to \$4.75 billion; the House Appropriations Committee has recommended funding of \$3.39 billion; and the House-Senate budget conference has assumed the elimination of the Department of Commerce at a projected savings of \$6.6 billion over 7 years.

Those in Congress favoring the abolition of the Department argue that it is an unwieldy grab-bag of inefficient and unrelated programs, all but 3 of which are either very similar or exactly replicated elsewhere in the Federal Government. Supporters of the Department believe that its continued existence is critical to promoting economic growth and the international competitiveness of our American firms. The truth is perhaps somewhere in between.

Today's hearing is the first in a series to carefully scrutinize each of the programs within the Department of Commerce to determine if they are essential government functions which cannot be better performed elsewhere. We will be considering a number of government restructuring options, and no final decision has been made yet by the Committee on whether and how to dispose of the Department and its subagencies. I expect that we will begin to develop a consensus over the next few

months, with movement towards a resolution of this issue before the end of the year, if not sooner.

One of the critical issues within the jurisdiction of my subcommittee is how to best restructure our Nation's trading strategies. Government trade programs are currently divided among 19 different Federal agencies and the States, ostensibly coordinated by the Trade Promotion Coordinating Committee, or "TPCC". As Chair of the TPCC, Secretary Brown enjoys the responsibility of helping to establish our Federal program priorities and to propose a unified budget for all trade promotion activities. I look forward to hearing his thoughts on our progress in this area.

In seeking to consolidate our trade programs, Congress will have to determine whether they need to be retained within a Department of Commerce, combined with the USTR into a United States Trade Office, placed into a new trade agency, or dispersed to various other agencies and departments. For example, export licensing is currently conducted by four different agencies—the Departments of Commerce, State, Energy, and Defense. Arguably, all licensing could be conducted by a single agency, although we must consider the advantages and disadvantages to each Department.

A similar analysis will be made with respect to the Department's statistics and information gathering programs. There are currently over 40 different statistical information gathering functions within the Federal Government, which often perform similar or overlapping functions. We have begun to discuss a number of proposals to consolidate or privatize some of these functions, whether in the Department of Commerce, a different agency, or in a separate Bureau of Statistics.

Additional review will be given by our Committee to the numerous technology commercialization programs, telecommunications agencies, and environmental and energy related functions within the Department of Commerce. By the time this bill moves through the 11 House Committees with jurisdiction, I am sure that no Commerce Department program will have escaped scrutiny.

I am confident that our Congressional review of the Department of Commerce will be fair and comprehensive, with a well-reasoned resolution. In this way, we can best fulfill our commitment to the American people of smaller and more effective government.

PREPARED STATEMENT OF HON. THOMAS J. BLILEY, JR., CHAIRMAN, COMMITTEE ON COMMERCE

Thank you Mr. Chairman: The Department of Commerce has been called a "grab bag" of unrelated, duplicative, and often wasteful programs. According to the GAO, the Department of Commerce suffers "the most complex web of divided authorities," sharing overlapping missions with over 71 different federal agencies.

The American people last November sent Congress a clear message—they want less taxes, less spending, and less government. So how has the Administration responded in its attempt to reinvent government? The President's budget proposed increasing the funding for the Department of Commerce by \$581 million, a level 35% higher than when the President took office. This reckless skyrocketing of the Department of Commerce budget has proceeded, despite continued warnings from the Department's Inspector General that there are "serious problems with the reliability, efficiency, and internal controls of Commerce's financial practices and systems," and that the Department's managers have demonstrated "little interest" and a "lack of commitment" for proper financial controls.

For example, the industrial policy-making branch of the Department of Commerce, the Technology Administration, was censured by the Inspector General for not having established meaningful performance goals, reliable reporting systems, or written procedures to avoid impropriety and favoritism. And yet the Administration has continued to pour taxpayer dollars into its favorite functions, increasing the Advanced Technology Program's budget from \$47 million to more than \$430 million from fiscal year 1992 to 1995, and increasing the Manufacturing Extension Partnership program funding from \$16 million to \$90 million over the same time period. Needy and cash poor recipients of this government largesse have included IBM, Xerox, DuPont, General Electric, and 3M.

In truth, there has been little groundswell of support for maintaining a separate Commerce Department. The National Federation of Independent Business, which represents more than 600,000 small American businesses, has stated that its members would rather cut the Federal deficit than save the Commerce Department. The U.S. Chamber of Commerce indicated that it found a similar complete lack of support among its 200,000 members for retaining the Department.

Now, I recognize that Secretary Brown has helped several large American companies negotiate important contracts abroad. And I also recognize that there are a lot of good things in the Department, and that we can't just take an axe and chop it up willy-nilly. What I am going to commit to, however, is to have my Committee undertake a thorough review of the Department and all of its programs within our jurisdiction, and for each function ask the basic question—is this the most effective use of our taxpayer dollars, or can we do things better. I suspect at the end of the day, we will consolidate a lot of programs into other agencies, privatize or abolish a few more, and ultimately eliminate an entire Department and put a lot of money back into the pockets of the American taxpayer.

I would like to thank the distinguished Member and one of my several good friends from the great State of Michigan, Representative Chrysler, for his leadership efforts in putting together his thoughtful plan to downsize government. I would also like to thank the Honorable Secretary of Commerce for joining us today to provide us with insight into the workings of his Department, and the other witnesses who have taken time out of their busy schedules to help us carry out our task. Today's hearing will be fair and open, with both sides being given a full opportunity to present their case and lay the foundation to create a new vision of government.

Thank you Mr. Chairman.

PREPARED STATEMENT OF HON. JACK FIELDS, CHAIRMAN, SUBCOMMITTEE ON
TELECOMMUNICATIONS AND FINANCE

The Subcommittee on Telecommunications and Finance and the Subcommittee on Commerce, Trade, and Hazardous Materials have convened today to consider H.R. 1756, the Department of Commerce Dismantling Act of 1995. This hearing represents another step forwards towards fulfilling our Republican commitment to less government and better government. While I am unfortunately unable to preside at today's hearing, I expect that we will enjoy a full and fair debate over the merits of eliminating the Department of Commerce and how to best restructure its functions.

I would like to thank Commerce Secretary Ron Brown for agreeing to testify before us to shed some light on the inner workings of his Department. I would also like to thank my good friend the Honorable Larry Irving for joining us today to provide additional insight on the Department of Commerce's telecommunications and information activities.

Today's hearing will be the first in a series by this committee to rethink the mission of each program within the Department of Commerce, and ask, "Is this the best bang for the buck for the American taxpayer?" While I oppose a wholesale elimination of all of the Department's programs, I do support a thorough house cleaning and identification of the essential and non-essential functions to make our government more efficient and effective. I commend my good colleague from Michigan, Representative Chrysler, for developing his reorganization plan which has become the starting point for our discussion. With the goal of eliminating the Department of Commerce, we now begin the critical discussion of how to best reorganize and consolidate its essential functions.

The GAO has criticized the Department of Commerce for conducting overlapping missions with over 71 different Federal agencies. We need to eliminate the Department's wasteful and duplicative functions. Any agency with a mission that can be better fulfilled by the free market should be sold off and privatized. If a taxpayer is better off keeping a dollar of income than having it spent by a Department program, than that program should be eliminated.

In the Department of Commerce's National Telecommunications and Information Administration (NTIA), the Inspector General has continued to note multiple deficiencies and weaknesses in the internal control structure. While the NTIA has made significant progress over the past year in its financial practices and grant evaluation process, the Agency merits continued close oversight and review. One of the essential functions that NTIA does provide is its work to develop and promote international communications standards. A second essential function is the management of the Federal portion of the electro-magnetic spectrum. While these functions may be ultimately transferred to a new agency or Department, Congress must first consider how to best restructure our telecommunications and information policy to meet our country's needs into the 21st century.

I look forward to addressing these issues over the next few months, and to reaching a carefully considered and well-thought resolution on the elimination of the Department of Commerce.

PREPARED STATEMENT OF HON. GREG GANSKE, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF IOWA

Thank you Chairman Oxley and Chairman Fields. This is the first in a series of very important hearings these Subcommittees will hold. At issue here is not only the future of the Commerce Department, but a basic debate about the proper role of government.

In a June 7 letter to Speaker Gingrich, Alice Rivlin, Director of the Office of Management and Budget, made a statement that sums up exactly why we need to reconsider the role of the Federal Government. She called the Commerce Department the "powerhouse" of Clinton's effort to form a "public/private partnership" between U.S. business and the Federal Government, and a "tireless advocate" for U.S. business interests.

This view, meant to speak for retaining the Department, clearly exemplifies the need for change.

Some U.S. businesses would agree that the Commerce Department has been a "tireless advocate" on their behalf. But for every company that Secretary Ron Brown advocates on behalf of, there are countless others who do not receive this privileged assistance reserved for companies who have the political clout and position to get the attention of cabinet level officials. Each time Secretary Brown travels abroad to fight for contracts, or invests in applied research programs being conducted by a private sector company, the Federal Government is effectively choosing "winners and losers."

I believe in free market principles. If the free market is allowed to work its will, the United States will find its rightful place in the global marketplace.

The Commerce Department does perform some important functions, and we must ensure that these functions are re-located in an efficient and effective manner. Unfortunately, the Commerce Department has become a place where we throw everything, *including* the kitchen sink. If we concentrate on terminating wasteful and unnecessary programs, consolidating duplicative programs, and privatizing or transferring functions best performed elsewhere, we will improve the effectiveness of our government and make scarce taxpayer dollars go farther.

I look forward to hearing from our witnesses and working with my colleagues on both sides of the aisle to create a leaner and cleaner Federal Government.

PREPARED STATEMENT OF HON. JOHN D. DINGELL, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF MICHIGAN

A bill to abolish the Department of Commerce is before the Commerce Committee. If adopted, it would do great damage to programs that benefit the Nation:

- It will result in lost jobs here at home and impair efforts to protect American jobs from unfair practices by foreign companies.
- It endangers our ability to compete in the global marketplace by killing sound programs that produce technological innovations, quality products, and scientific advances.
- It destroys programs that preserve jobs and help distressed communities and the environment.

I have started to measure the tremendous adverse effects the Chrysler bill will have in my home State of Michigan:

Scores of small businesses in Michigan are now exporting and competing around the globe because of the work of the International Trade Administration. The Chrysler bill eliminates domestic offices of the U.S. & Foreign Commercial Service. As Durametallc, a small business in Kalamazoo, has written to me: "[I]t would be a serious mistake to eliminate the export assistance programs provided by the International Trade Administration and the Domestic Commercial Service. It will hurt small businesses particularly and negatively impact employment in the State of Michigan."

The President of Monroe Auto Equipment writes that: "[T]he aggressive trade promotion policies of our government, coupled with knowledgeable human resources, is adding value to my company's efforts to compete in worldwide markets. The beneficiaries of these actions are [our] shareholders, our employees domestically and abroad, and the communities in which we reside... In the final analysis, I believe a Cabinet-level department focused upon export opportunities and the promotion of international market development will best serve the country at a time when global competition is at its keenest."

The Chrysler bill eliminates the Advanced Technology and Manufacturing Extension programs. MERRA, a non-profit association of major Michigan businesses, the

executive and legislative branches of the State, universities, and economic development organizations, writes that the ATP program: "is important in transferring the results of fundamental research into practical products. This results in the creation of jobs and an increase in export sales." Its members report that the MEP program provides "invaluable assistance" to small and medium-sized businesses.

The Great Lakes Environmental Research Lab in Ann Arbor (that employs 100 people) would be eliminated. This lab and other NOAA programs benefit the entire Great Lakes region's environment. As a letter from Professor Kerfoot of the Michigan Technological Institute states: "The proposed legislation is akin to Sherman's march to the sea in the damage it will do to forecasting and research programs related to marine and Great Lakes' transportation, weather, water quality and ecosystem health research. The proposed restructuring fragments a cohesive agency and sends the pieces to areas where the present forecasting and research development... will not function."

The Chrysler bill eliminates EDA grants. The West Michigan Shoreline Regional Development Commission, serving 5 counties and 120 local governments, opposes the elimination of the Department of Commerce. They have written to me detailing 41 EDA projects that have leveraged private sector investments of more than 50 times the total EDA investment and created or saved over 22,700 jobs in Michigan. And Detroit's Focus:HOPE, the premiere model in the Nation for providing skills in technology and manufacturing technology education, would simply not exist without the Department's efforts through the years.

The Chrysler bill eliminates NTIA grants. The Michigan Association for Local Public Health has described a grant it received last year to build an information exchange to connect all local health departments and the State Department of Health that "provided direct and immediate benefits to local governments throughout the State and continues to promote the health of Michigan citizens." And the director of the Regional Educational Media Center 10 in Cass City has written that: "It is inconceivable to me that Members of Congress would even think about eliminating the NTIA at a time when the information explosion threatens to overwhelm us."

Why would anyone choose to eliminate programs that create and protect American jobs? Why would anyone choose to abolish a department that produces billions of dollars more than it spends? Why would anyone choose to give foreign businesses a huge advantage in the global marketplace?

The Chrysler bill is wrong for the State of Michigan and wrong for the Nation. I commend Chairmen Oxley and Fields for holding this important hearing. I appreciate the cooperation you and your staff have afforded us in structuring this hearing and I look forward to working with you on future hearings to consider the full effects of this counterproductive and dangerous legislation.

PREPARED STATEMENT OF HON. BLANCHE LAMBERT LINCOLN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ARKANSAS

This is the second time in the past month that this committee has investigated proposals to eliminate federal agencies. I am concerned that in the zeal to eliminate our national debt that we fail to comprehend the implications of our actions. I am an avid supporter of reducing government and Federal spending, as proven by my voting record, but we shouldn't eliminate programs and move offices around until we fully understand the full operations of the Department of Commerce. That is why I am glad that we are holding this hearing today to gather that essential information.

Many individuals believe that the logical agency to be eliminated is the Department of Commerce because it is seen as a grab bag of agencies and offices doing a variety of issues not related to commerce. However, commerce is not limited to the Fortune 500. Commerce includes the harvest every farmer brings to market, it includes agricultural goods sold in this country and also exported abroad, it includes the fish caught in this nation's waters and sold here and in other countries, it includes products and services provided by small businesses looking for markets both domestically and internationally—anything bought and sold falls within the Department of Commerce's jurisdiction as well as the tools to assist those transactions. That is why the International Trade Administration, the United States Travel and Tourism Administration, the National Oceanic and Atmospheric Administration, and the Economic Development Administration are all within the Department of Commerce.

In my own District, which is comprised primarily of farmers and small businesses, the Department of Commerce helps both directly and indirectly. It provides busi-

nesses with the tools and knowledge to export products abroad. Arkansas had a total of \$1.4 billion in exports in 1994 and 91,800 jobs supported by exports. In this increasingly global society, we cannot eliminate or render ineffective the tools and expertise needed to compete in this international marketplace.

Specifically, I am concerned about the continued cuts to the National Weatherization Service which has already sustained significant cuts recently. This year, the Service plans to eliminate the Agricultural Weather Forecast, the Special Agricultural Weather Advisory, Weather Advisory for Ag Operations, Agricultural Observations, 30-day Agricultural Weather Outlook, International Weather and Crop Summary, National Agricultural Weather Highlights and the Agricultural Weather Guidance and close seven Service offices providing agricultural weather services. The weather services provided by NOAA assist farmers in their planting and harvesting decisions. Without this vital information, many farmers will find their crops destroyed through draught or flood. Additionally, the Weather Service provides quick and up to date information about impending flash floods or severe storm warnings. I am not certain that the private industry will take over such activities and the enormous expenses associated with the maintenance of the weather satellites.

Additionally, this bill immediately eliminates the U.S. Travel and Tourism Administration. Tourism is the 2nd biggest industry in this country. It contributes over 6 million jobs directly and another 5 million indirectly. Tourism generates \$380 billion in expenditures which results in a \$22 billion trade surplus in 1994. It is also very important to the health of my district which is becoming known for its natural resources and outdoor activities.

I am also concerned about the elimination of the Economic Development Administration. EDA provided assistance when an air force base in my District went through expedited closure. Without this financial assistance, the city of Blytheville would still be struggling to redevelop the area so long devoted to the Air Force. With the new list of base closing, EDA's expertise and assistance will be in high demand.

I know that we can't keep the status quo. Vice President Gore has worked with all the agencies in his reinventing government initiative to streamline agencies to make them more efficient. Recently, Secretary Hazel O'Leary impressed many in this committee with her continuing efforts to cut waste and inefficient operations at the Department of Energy. I look forward to Secretary Brown's testimony concerning the restructuring of the Department of Commerce.

If we are going to dismantle a Federal agency, we should know why. We should not just eliminate a Federal Agency for political reasons, but we should rely on sound policy reasons. Let's examine the costs associated with moving people and offices around. As shown with the Department of Energy, inner-agency streamlining may make more sense and save the taxpayers more money than moving offices around. And that's the bottom line—saving taxpayers' money without compromising efficient government service. Thank you.

PREPARED STATEMENT OF HON. BOBBY L. RUSH, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF ILLINOIS

Mr. Chairman I want to thank you for holding this hearing on H.R. 1756, the Department of Commerce Dismantling Act. This bill will dismantle the only Cabinet level department that has, as its primary responsibility, the interest of American business. The Department of Commerce plants the seed for future economic growth that creates new businesses and is the cultivator of established businesses as they expand in the overseas market.

All of our trading partners has its own counterpart to the Secretary of Commerce. The functions of the Commerce Department must be represented at the Cabinet level. U.S. business interests, which are the centerpiece of our economy, must have ready access to the President and be the focal point of all decisions that can impact their ability to compete as U.S. exporters.

If you compare the United States to our major trading partners, we rank dead last in expenditures for export promotion in relation to the size of our economy. To eliminate or fictionalize the advocacy that the Commerce Department provides with the leaders of foreign governments will place in serious jeopardy our ability to make gains against our global competitors.

In a letter to Chairman Bill Archer on behalf of the Business Roundtable, Jerry Junkins, Chairman, President and CEO of Texas Instruments said, "Some have suggested some Department of Commerce functions to the Department of State and other agencies. Notwithstanding the increased role of the State Department in promoting the interests of American business abroad, these functions should not be re-

located in that Department or any other agency that would subordinate the Nation's commercial interests to foreign policy or any other non-economic considerations. Nor should they be scattered among different departments. Such a dilution of resources will only lead to less cohesive and effective programs in support of U.S. international competitiveness."

Mr. Junkins concerns on behalf of the largest companies can be multiplied and felt by our Nations entrepreneurs as they attempt to flourish in the global marketplace. No one has felt the effects of fierce international competition more than smaller U.S. companies. They must struggle to maintain their presence in the domestic market while the prospect of doing business overseas dwindles each day. With their limited resources already stretched to capacity, they put at risk their domestic operations.

As we consider the plight of small business in both domestic and international markets I want to express my concern for the future of the Minority Business Development Agency. The MBDA was created in 1969 by President Nixon to "increase the opportunity for minority entrepreneurs to participate in the free enterprise system through the formation, development and preservation of competitive minority owned firms. This was the goal then and it still remains, minorities make up 25% of the U.S. population but they represent only 9% on the Nation's business owners.

Access to capital is one of the greatest hurdles that a minority business faces MBDA's "Access to Capital" initiative has provided access to financial resources for minority entrepreneurs by spawning secondary markets for minority business loans and loan review intervention. MBDA has signed memoranda of understanding with NationsBank, Chemical Bank and the Bank of America, among others, assuring focused financial attention on minority businesses.

The trend among the minority-owned firms is an increase of technology-based enterprise. These technology-based enterprises better known as the information superhighway or just plain telecommunications has the corporate world buzzing and financial wizards awaiting the profits from these burgeoning markets. The National Telecommunication and Information Agency is the only agency dedicated to assuring that small U.S. businesses are not road kill on that information superhighway.

NTIA is the dedicated agency to develop high level telecommunications policy within its own organization. It also utilizes the expertise of the Commerce Department policies on trade, technology, standards and statistics. The telecommunications and information industry is now the worlds largest economic sector, generating more than \$590 billion in annual revenues, and accounts for about 20% of the U.S. economy. We must not allow the United States to get behind the curve and lose the ability to be pro-active both in domestic and international markets.

Do U.S. businesses care about their ability to compete in the telecommunications marketplace both domestic and international? Just ask each member of this committee how many times this nation's largest corporation have bent their ear with regard to H.R. 1555, the Telecommunications Act of 1995. This is a *big deal* and did they mention it means the survival of their company and thousands of jobs... I find it irresponsible to consider a bill that calls for *abolishing* most of the NTIA functions that work on behalf of these same companies.

Mr. Chairman I want to thank you again for scheduling this hearing on this potentially devastating bill that will effect the ability of U.S. businesses and our economy to grow and prosper in the 21st century.

I ask for unanimous consent that the full text of the letter from Mr. Junkins to Chairman of the Ways and Means Committee including a list of the membership of the Policy Committee be inserted for the record.

I yield back the balance of my time.

THE BUSINESS ROUNDTABLE,
Washington, DC, June 28, 1995.

HON. BILL ARCHER
Chairman, Committee on Ways & Means, House of Representatives
Washington, DC

DEAR MR. CHAIRMAN: For many years, The Business Roundtable has been a vocal advocate of balancing the federal budget by a date certain. It remains our number one policy objective. We strongly support improving efficiencies and removing redundancies in government programs and departments to support that objective. Where there are valid reasons to maintain particular functions, it is critical to locate them where taxpayers will get a proper return on their investment.

With respect to proposals currently under consideration to restructure the Department of Commerce, the Roundtable believes that Congress should preserve those core functions necessary for U.S. competitiveness, exports and jobs. Such functions generally include: effective advocacy abroad and within the U.S. Government, fair

and effective implementation and administration of U.S. trade laws, export promotion and financing, liaison activities between the private sector and the government and collection of information on foreign business opportunities.

It is also vital that those functions be maintained under the leadership of a Cabinet-level official whose primary responsibility is to focus on U.S. commercial interests, who has direct and ready access to the President, who speaks with a strong voice for U.S. commercial interests within the government and who can actively support U.S. commercial opportunities.

Some have suggested transferring some Department of Commerce functions to the Department of State and other agencies. Notwithstanding the increased role of the State Department in promoting the interests of American business abroad, these functions should not be relocated in that department or any other agency that would subordinate the nation's commercial interests to foreign policy or any other non-economic considerations. Nor should they be scattered among different departments. Such a dilution of resources will only lead to less cohesive and effective programs in support of U.S. international competitiveness.

Efforts to "reengineer" the current system are to be encouraged; however, they must result in improvements. Proposals to dismantle the Department of Commerce's international trade functions and divide them among other government agencies would not achieve that goal. Therefore, we urge you to ensure that any restructuring results in a system that supports U.S. efforts to compete effectively in the global marketplace.

Sincerely,

JERRY R. JUNKINS,
Chairman, President & Chief Executive Officer,
Texas Instruments, Inc.
Chairman, The Business Roundtable International
Trade and Investment Task Force.

Mr. OXLEY. The gentlelady from Arkansas is recognized.

Mrs. LINCOLN. Great. Thank you. I will try to be very brief. I know these gentlemen have been very patient.

Mr. Chrysler, in H.R. 1756, where you would sell or eliminate several of the offices, the rest of the Department is basically going to be scattered among remaining Federal agencies, if I understand it correctly. Besides the 25 percent savings that you get from an across-the-board cut, what savings would result from moving the various offices around, including the moving costs and accounting for further personnel training and other things to accommodate for those moves? Has that been calculated or costed out?

Mr. CHRYSLER. Yes, it has been calculated, and it is \$7.765 billion over 5 years.

Mrs. LINCOLN. \$7.65 billion?

Mr. CHRYSLER. \$7.765 billion would be saved, but the real savings, Mrs. Lincoln, would be simply from, you know, the Department of Commerce gives away almost \$1 billion a year right now. If we no longer have a Department of Commerce we will stop giving away \$1 billion a year and take that by however many years you want to look into the future, and that is the real savings.

Mrs. LINCOLN. I don't know what giveaways you are talking about, but I assume these numbers have come to you from a cost estimate from CBO?

Mr. CHRYSLER. CBO, absolutely.

Mrs. LINCOLN. So those are the cost of savings over 7 years, other than the 25 percent across-the-board cut; is that correct?

Mr. CHRYSLER. That is the almost \$8 billion, yes.

Mrs. LINCOLN. That is other than; is that correct?

Mr. CHRYSLER. Other than?

Mrs. LINCOLN. The 25 percent across-the-board. That is accounting for the personnel retraining and the moving costs and the other

disbursement of the remainders of the Department that you are talking about doing?

Mr. CHRYSLER. Yes, those were Congressional Budget Office's numbers that we received when we had the bill scored.

Mrs. LINCOLN. One of the other questions I had, and I hate to be redundant, and please, if I am, just be patient with me, was in terms of the weatherization. I understand that your bill would further cut the National Weather Service by 25 percent. Obviously, this office has already seen or sustained some pretty heavy cuts that have resulted in the elimination of many of the agricultural informational services which are very key to the agricultural economy in my district, and farmers being able to prepare and understand what is ahead of them in terms of the weather.

What would be the results of these further cuts to those weatherization programs and what information will remain for farmers whose livelihood really relies on that accurate information?

I do understand that some privatization has been talked about, but in my research I have found that basically the private entities that are already out there depend on the accumulation of information that is gathered by the weatherization service, the government service.

Mr. CHRYSLER. They certainly do depend on the satellites that are up there but, you know, private sector companies do own satellites, can own satellites or at least certainly buy some time on satellites to garner that information. And I guess the question you ask yourself is, does the government really need to be in that business or can it be performed adequately by the private sector? And I believe that it can be, eventually all of it can be.

Mrs. LINCOLN. Well, I guess to take that question just a little bit further, if the private sector takes over that initiative or that part of the weatherization, I guess some concern might be about national security in terms of travel, we are talking about airplanes, we are talking about a whole host of different people who depend on weatherization information. And in terms of national security, what if it becomes privatized, owned by a foreign entity? Do we run into the same problem we have addressed in this committee for airwaves and other things?

Mr. CHRYSLER. I think that is the beauty of the private sector businesses, either you do a good job or you are out of business, and I would think that you would end up with a better job.

Mr. LEVIN. Mrs. Lincoln, could I just briefly say a word as you finish this hearing?

Mrs. LINCOLN. Certainly.

Mr. LEVIN. I think your questions are so germane. If the private sector can do it better, it should be done. What this proposal raises, I think, is just that question: In each and every instance can the private sector do it better alone or should there be some kind of a partnership between the Federal Government and the private sector or the State Government and the private sector? And my only plea is that we have informed and not knee-jerk responses to your question. If weatherization can be privatized, so be it. But it is important that we not just take a mold and put it down on every problem with blindfolds on and with earplugs in.

Mr. OXLEY. The gentlelady's time has expired.

We are trying to get to the Secretary as best we can.

Mrs. LINCOLN. Okay. Just to that question of national security, I would be interested in your reply on that as well as there are no private satellites currently, correct?

Mr. OXLEY. The gentleman from Oklahoma.

Mr. COBURN. Thank you, Mr. Chairman. I apologize for being late.

Congressman Chrysler, can you tell me what the reaction has been to your plan from current and former officials from the Department of Commerce?

Mr. CHRYSLER. A number of those people, including the past Commerce Department Secretary, Robert Mosbacher, was, in fact, involved in the analysis part of this and looking over this. We were working on this for about 6 months in looking at the different phases, we kind of broke up the Department of Commerce in a lot of different areas and then gave each person an area that they could go into, literally made visits to the Department of Commerce.

The head of the Census Bureau in the Bush administration has been involved in that, Mrs. Bryant, and she was a very instrumental part in giving us her recommendations and said absolutely we should dismantle the Department of Commerce. And so we have had a number of people, including people even in my office that have worked at the Department of Commerce during their tenure here in Federal Government, give input into it, a number of people that have worked in the Department of Commerce almost unanimously say yes, we should dismantle this Department.

You know, in my business, if I would have had a department that would have been this inward-looking and self-serving and self-perpetuating, that is an absolute recipe for disaster and failure, and I would have terminated that department immediately.

Mr. COBURN. Let me ask you one follow-up question. Have you not been significantly encouraged by the vast majority of freshmen Congressmen who have encouraged you in this regard and the feelings that they get from their constituency that this is a proper option for us to look at in terms of eliminating departments such as the Department of Commerce?

Mr. CHRYSLER. Certainly, the freshmen have been strong supporters of this proposal. But at this point, there are many senior Members of Congress that have signed on. It is a bipartisan support, Republicans and Democrats, freshmen, sophomores, juniors, and on up. People with many, many years of experience have signed on to the bill once the legislation was drafted.

Mr. COBURN. Thank you.

Mr. Chairman, I don't have any additional questions, yield back.

Mr. OXLEY. The gentleman yields back.

I am going to yield to the gentleman from Michigan for one brief question before we bring the Secretary of Commerce up.

Mr. DINGELL. Mr. Chairman, I thank you.

This is an extraordinary courtesy.

Mr. Chrysler, you would abolish a number of agencies now within the Department of Commerce, a number of others you would move to other agencies and cut them 25 percent. What is the significance of the 25 percent cut? Why did you choose a 25 percent cut?

Mr. CHRYSLER. In many cases, where we are folding departments together and where departments are duplicated.

Mr. DINGELL. But why did you cut them 25 percent, why didn't you cut them 18 percent or 42 percent or 55 percent?

Mr. CHRYSLER. It was an analysis that was made based on what kind of savings in overhead we could save by consolidating in different departments.

Mr. DINGELL. Do you know that 25 percent is the overhead figure? Is 25 percent the overhead figure?

Mr. CHRYSLER. That was the number, yes.

Mr. DINGELL. Where did you get that number?

Mr. CHRYSLER. That was one that was recommended to us by OMB.

Mr. DINGELL. By who?

Mr. CHRYSLER. OMB.

Mr. DINGELL. OMB said 25 percent?

Mr. CHRYSLER. CBO, I am sorry, I will get it right. I am still a freshman. When I am here for 42 years such as you—

Mr. DINGELL. They said that is the overhead that all these agencies paid to the Department of which they are a part?

Mr. CHRYSLER. No.

Mr. DINGELL. I am trying to figure out where you get the number. So you think the cut, that 25 percent is their contribution to the overhead of the Department, and that every Agency in the Department of Commerce pays 25 percent for overhead to the Department of Commerce; is that right?

Mr. CHRYSLER. Well, in fact, the 25 percent is paid to the Department of Commerce by, as an example, Patents and Trademarks. A 25 percent stipend is paid to the Department of Commerce. That amounts to about \$111 million a year. Now the Department of Commerce only acknowledges that they receive \$86 million a year.

Mr. DINGELL. I am still trying to understand what this 25 percent is, how you got it, and why. Is this the overhead that is paid by all of the Agencies to the Department of Commerce or is this a number that CBO got from the air somewhere?

Mr. CHRYSLER. No, that is a number that the Department of Commerce is currently charging the Patents and Trademark Office just for the pleasure of being in the Department of Commerce, 25 percent.

Mr. DINGELL. Okay.

But you don't know that is the case in all of the agencies in the Department of Commerce, that that is their overhead contribution to the Department?

Mr. CHRYSLER. The Patents and Trademarks are self-funding, and so they are charged that by the Department of Commerce, 25 percent.

Mr. DINGELL. But you don't know if that is the case with all of them.

Mr. CHRYSLER. No.

Mr. DINGELL. Now, let's go to the next question. You are going to cut all these 25 percent, you are going to move them to another department, and are you going to reimburse them, then, for the overhead they have lost?

Let's say you are going to move the foreign trade operations to another agency. Are you going to then give them the 25 percent that they are going to have to give to the other agency or are you not?

What I am trying to understand, is this just a simple 25 percent cut that you are going to be giving all these agencies?

Mr. CHRYSLER. The 25 percent cut for the Patents and Trademarks Department, that is the amount they pay to the Department of Commerce just for the pleasure of being in the office.

Mr. DINGELL. So they are going to move to another agency, and they are going to have to come up with the overhead they will have to pay to that new department. Where are they going to get that money or is this just a 25 percent cut in the services that they are going to be able to give to the—in terms of service, like on foreign trade promotion, things of that kind?

Mr. CHRYSLER. No government agency should pay any other government agency a 25 percent stipend just to be in that department. That is a total waste of taxpayers' money.

Mr. DINGELL. Do you know that all the Agencies in the Department of Commerce do this?

Mr. CHRYSLER. I am talking about the Patents and Trademarks.

Mr. DINGELL. I am not talking about the Patents. I am talking about all the other agencies.

Mr. CHRYSLER. That is the only one we have identified.

Mr. DINGELL. That is the only one you have identified.

Mr. Chairman, could we have the assistance of the staff in establishing how much each of these agencies pays to the Department of Commerce on overhead, what the practical effect on all these agencies would be in terms of the 25 percent cut which they would receive?

Mr. OXLEY. I am sure that information could be elicited from our four more panels.

Mr. DINGELL. And I know that I will have the cooperation of—

Mr. OXLEY. It has been a pleasure to have you gentlemen. You are excused. We thank you for your participation.

Mr. CHRYSLER. Thank you.

Mr. OXLEY. Dick, you can consider yourself no longer a freshman after this.

Mr. DINGELL. Mr. Chairman, while we are waiting, could I ask unanimous consent to insert in the record a number of letters that I have received from Michigan businesses and educators, and so forth, about this bill?

Mr. OXLEY. Without objection.

Mr. DINGELL. Thank you, Mr. Chairman.

[The letters and attachments referred to follow:]

LETTERS RELATING TO PROPOSED LEGISLATION TO DISMANTLE THE U.S. DEPARTMENT OF COMMERCE

TRADE/EXPORT

Jack L. Thompson, President, Monroe Auto Equipment, Monroe, MI.

Dennis W. Archer, Mayor, City of Detroit.

Michael J. Cole, Vice President, Donnelly Corp., Holland, MI.

Raymond J. Gaynor, International Director, Mechanical Dynamics, Inc., Ann Arbor, MI.

Edward W. Kokmeyer, President, American Broach & Machine Co., Ann Arbor, MI.

Edward A. Massura, Arthur Andersen LLP, Detroit, MI.

Donald G. Keesee, President, Keesee & Associates, Birmingham, MI.

Charles Robrecht, Vice President, Tim Gilson, New Ventures Manager, Gelman Sciences, Ann Arbor, MI.

Joseph L. Primeau, International Sales Manager, Acromag, Inc., Wixom, MI.

Gladson Remos, International Technical Director, INCOE Corp., Troy, MI.

Dianne S. Blamer, Export Manager, Second Chance Body Armor, Inc., Central Lake, MI.

Frank H. Commiskey, Director/General Manager, James A. Haworth, Export Manager, Horiba Instruments, Inc., Ann Arbor, MI.

Charles E. McCallum, Esq., Warner Norcross & Judd, Grand Rapids, MI.

Clarence M. Rivette, Chief Operating Officer, Amigo Mobility International, Inc., Bridgeport, MI.

Dan Muelenberg, President, Muelenberg International, Ltd., Grand Rapids, MI.

Birgit M. Klohs, President, The Right Place Program, Grand Rapids, MI.

D.R. Zelek, Vice President, AMPRO Industries, Inc., Bradley, MI.

Thomas E. Haan, Executive Vice President, Durametallc, Kalamazoo, MI.

Mark D. Basile, President, Healthmark Industries Co., St. Clair Shores, MI.

Kevin H. McKerverey, Chairman, World Trade Club, Greater Detroit Chamber of Commerce, Detroit, MI.

Ken Van Tol, Cheesebrough Wood Rakes & Specialties, Freeport, MI.

David J. Spyker, President, JWI, Holland, MI.

Ginger L. Lantz, Manager of China Business Development, Electro-Wire Products, Inc., Dearborn, MI.

Dale W. Koop, Vice President, Hastings Manufacturing Company, Hastings, MI.

Don R. Seale, Director of International Sales, Bissell, Inc., Grand Rapids, MI.

George N. Herrera, Director of International Sales, MASCO Corp., Taylor, MI.

Gerald A. Hilty, Vice President, Rapistan Demag Corp., Grand Rapids, MI.

Brad Carson, Vice President, Johnston Boiler Company, Ferrysburg, MI.

A.J. Takacs, Vice President of Government Relations, Whirlpool Corp., St. Joseph, MI.

Andrew Murch, President, Burke E. Porter Machinery Company, Holland, MI.

Michael Bee, Manager of International Sales & Marketing, Hart & Cooley, Inc., Holland, MI.

Kenneth Kensington, CEO, VIATEC, Inc., Hastings, MI.

John R. Dixon, Plant Manager, Medusa Cement Company, Charlevoix, MI.

Dale Apley, Director of Public Policy, Ann Arbor Area Chamber of Commerce, Ann Arbor, MI.

Robert J. Huisingsh, Sales Manager, LORIN Industries, Muskegon, MI.

Matthew P. Marko, Vice President, CORE Industries, Bloomfield Hills, MI.

Monty E. Vincent, President, Arbor Technologies, Inc., Ann Arbor, MI.

Richard N. Sarns, President, Sarns, Inc., Ann Arbor, MI.

R.E. Masnari, International Sales Manager, Armstrong International, Inc., Three Rivers, MI.

Patrick A. Dell, Manager, International Operations, Moti Enterprises International, Sterling Heights, MI.

Joseph C. Schmeider, Vice President, Oliver Business Products, Grand Rapids, MI.

COMMUNITY INVESTMENT

Wilbur Ingrham, Chairperson, Southwestern Michigan Commission, Benton Harbor, MI.

Raymond Rathbun, Chairman, West Michigan Shoreline Regional Development Commission, Muskegon, MI.

Robert G. Kudney, Chairman, East Central Michigan Planning & Development Commission, Saginaw, MI.

Richard J. Beldin, Associate Director, Northwest Michigan Council of Governments, Traverses City, MI.

Jon W. Coleman, Chair, Lansing Regional Economic Redevelopment Team, Lansing, MI.

Gerald Perreault, Chairperson, Western Upper Peninsula Planning & Development Regional Commission, Houghton, MI.

Joyce Tuharsky, Director, West Michigan Regional Planning Commission, Grand Rapids, MI.

TELECOMMUNICATIONS AND INFORMATION

Constance P. Julius, Director of Telecommunications, Michigan Community College Association, Lansing, MI.

Michael J. Donahue, Ph.D., Executive Director, Great Lakes Commission, Ann Arbor, MI.

Scott Seaman, General Manager, Northern Michigan University Public Broadcasting Services, Marquette, MI.

Jeffrey S. Wehl, Senior Data Analyst, Michigan Association for Local Public Health.

Robert F. Larson, President, WTVS/Detroit Public Television, Detroit, MI.

Jack A. Keck, Director, PACE Telecommunications Consortium, Indian River, MI.

Dave Myers, General Manager, Blue Lake Public Radio, Twin Lake, MI.

Thomas Hunt, Manager, Central Michigan University Public Radio, Mt. Pleasant, MI.

Steve Meuche, Director of Broadcasting Services, WKAR/Michigan State University, East Lansing, MI.

Robert Townsend, Director, Regional Educational Media Center 10, Cass City, MI.

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

Van W. Snider, Jr., President, Michigan Boating Industries Association, Northville, MI.

Robert C. Haas, Biologist In Charge, Lake St. Clair Fisheries Research Station, Mt. Clemens, MI.

John A. DeKam, Superintendent, Bay Metropolitan Water Treatment Plant, Bay City, MI.

Jon G. Stanley, Ph.D., University of Michigan, Ann Arbor, MI.

Michael J. Donahue, Ph.D., Executive Director, Great Lakes Commission, Ann Arbor, MI.

Robert A. Shuchman, Ph.D., Environmental Research Institute of Michigan, Ann Arbor, MI.

Chris Goddard, Executive Secretary, Great Lakes Fishery Commission, Ann Arbor, MI.

Guy A. Meadows, Acting Director, University of Michigan College of Engineering, Ann Arbor, MI.

W. Charles Kerfoot, Director, Lake Superior Ecosystem Research Center, Houghton, MI.

Wilfred L. LePage, Superintendent, Water Treatment and Pumping Division, Monroe Water Department, Monroe, MI. Nick Blackstone, Vice President, National Marine Manufacturers Association, Washington, D.C.

Dale R. Tahtinen, Ph.D., Vice President for Governmental Relations, Michigan Technological University, Houghton, MI.

John P. Giesy, Distinguished Professor, Michigan State University, East Lansing, MI.

TECHNOLOGY/STANDARDS

Keith F. Blurton, President, MERRA, Ann Arbor, MI.

R.J. Pangborn, Vice President, Ventures/Central R&D, The Dow Chemical Company, Midland, MI.

Dwight D. Carlson, President, Perceptron, Farmington Hills, MI.

Theo D. Merrill, Executive Director, Automotive Industry Action Group, Southfield, MI.

Ernest O. Vahala, President, Auto Body Consortium, Ann Arbor, MI.

W.C. Dyer, Executive Director, Midwest Manufacturing Technology Center, Ann Arbor, MI.

Bill Kalmar, Director, Michigan Quality Council, Rochester, MI.

Robin J. Hood, Director, Central Instrumentation Facility, Wayne State University, Detroit, MI.

Charles R. Cowley, Professor, University of Michigan, Ann Arbor, MI.

M.M. Calhoun, Quality Assurance Manager, Sprague Prutsman, Inc., Traverse City, MI.

John F. White, Director, Center for Electronic Commerce, Industrial Technology Institute, Ann Arbor, MI.

Janice L. Karcher, Program Manager, Innovation Council, Flint, MI.

William J. Donohue, President, Focus Fund, Inc., Flint, MI.

Ronald M. Prime, President, Atlas Technologies, Fenton, MI.

Robert T. Sibilsky, Vice President, Compak, Inc., Flint, MI.

Paul Semerad, President, Semtron, Inc., Flint, MI. Joseph L. Scott, Vice President, IATRIS, Fenton, MI.

Kevin Moore, General Manager, Products Limited, Sterling Heights, MI.

Brian K. Gillum, President, Gilco Inc., Roseville, MI.

Gene P. Reck, Professor of Chemistry, Wayne State University, Detroit, MI.

SELECTED QUOTATIONS FROM MICHIGAN LETTERS ON PROPOSED DISMANTLEMENT OF THE COMMERCE DEPARTMENT

TRADE AND EXPORT ACTIVITIES

"The aggressive trade promotion policies of our government, coupled with knowledgeable human resources, is adding value to my company's efforts to compete in worldwide markets. The beneficiaries of these actions are [our] shareholders, our employees domestically and abroad, and the communities in which we reside."

Jack Thompson, Monroe Auto Equipment, Monroe, Michigan

"With our country's balance of trade problems, we hope the business community and general public realizes how important the Department of Commerce International Trade Administration is to creating jobs and allowing small companies to compete in the global market."

Edward Kokmeyer, American Broach & Machine Co., Ann Arbor, Michigan

"I have had the opportunity to work with individuals from many professional organizations, both in the public and private sector, and I can honestly say the Department of Commerce trade specialists are outstanding representatives of specialists in this field. I would thoroughly encourage you to fund the activities of the Department of Commerce."

Edward A. Massura, Arthur Andersen & Co., Detroit, Michigan

"Why would we even rationally consider the elimination of Commerce which since the mid-1980's has concentrated on helping small- and medium-sized firms export. These are the same companies that have driven our surge in exports and our growth in employment. Are we trying to 'kill the goose that lays the golden egg?'"

Donald G. Keesee, Keesee & Associates, Birmingham, Michigan

"The Department of Commerce is a very effective department which is of great help to small and medium scale industries."

Gladson Remos, INCOE Corp., Troy, Michigan

"I cannot begin to comprehend the thought processes behind the abolishment of the one governmental agency that is so in tune and involved with the United States taking its rightful place in the newly emerging global economy. To divide the responsibilities of the Commerce Department and to disperse them to other agencies would simply mean overtaxing already stressed agencies and diluting the effectiveness of their services."

Dianne Blamer, Second Chance Body Armor, Inc., Central Lake, Michigan

"The foreign service staff has been helpful and courteous, a true gem among the federal bureaucracy."

Mark Basile, Healthmark Industries, St. Clair Shores, Michigan

"The 153 families at JWI are strongly committed to maintaining an active international presence and urge you to strongly support retention of the Domestic Commercial Service."

David Spyker, JWI, Inc., Holland, Michigan

"These opponents to the Department of Commerce must have their heads in the sand or are simply choosing to ignore what other governments, specifically Japan, do to support private enterprise."

Ginger Lantz, Electro-Wire Products, Inc., Dearborn, Michigan

"I have frequently used these programs, and they have proven to increase export sales and thus help the economy of our country."

Don Seale, Bissell, Inc., Grand Rapids, Michigan

"Our competition from other industrial countries have already teamed with their government to a far greater level of support and financial backing than anything the United States Government has ever considered... If there is a reduction in the size, or the elimination of the Department of Commerce, many small and medium size U.S. manufacturers who want to enter the export market may never have that opportunity."

Brad Carson, Johnston Boiler Company, Ferrysburg, Michigan

"Moving the functions of the International Trade Administration to the U.S. International Trade Commission, to the Treasury Department, to the Office of the U.S. Trade Representative, or to some other agency would not save any tax dollars and would result in less effective enforcement of U.S. unfair trade laws and less effective export promotion."

John Dixon, Medusa Cement Co., Charlevoix, Michigan

"As for the buzz-word, 'corporate welfare,' it's a sad misnomer to apply it to DOC/ITA, because their services are actually a 'corporate investment,' since they help with job creation or stabilization."

A.J. Takacs, Whirlpool Corp., St. Joseph, Michigan

"The elimination of the Department of Commerce and the resulting termination of the Domestic Commercial Service would be a step backwards that would not only limit the growth of new jobs in the U.S. but cause us to be left behind in international competition."

Andrew Murch, Burke E. Porter Machinery Company, Grand Rapids, Michigan

"This valuable program is an 'INVESTMENT' that produces returns back to the American taxpayers with more high-paying skilled jobs, higher tax paying citizens, U.S.A. purchased materials, etc."

Kenneth Kensington, Viatic, Inc., Hastings, Michigan

"I humbly ask you to do whatever you can to help strengthen the Department of Commerce, rather than to see it diminish, melt into other committees, or become non-existent. We need them."

Monty Vincent, Arbor Technologies, Inc., Ann Arbor, Michigan

"With an expanding global economy and increasing challenges facing U.S. companies, U.S. businesses today have a critical need for assistance from the U.S. Department of Commerce to enter and successfully compete in world markets."

Richard Sarns, Sarns, Inc., Ann Arbor, Michigan

COMMUNITY INVESTMENT

"The Department of Commerce has been a job-creation machine for the State of Michigan and our cities."

Dennis Archer, Mayor, City of Detroit

"An elimination of EDA and the district program would create a gap in service delivery that is currently very critical in an era of a shrinking federal role."

Wilbur Ingraham, Southwestern Michigan Commission, Benton Harbor, Michigan

"We need federal programs like EDA to continue in partnership with State, local and private investment to provide economic incentives that have been proven to work in stimulating growth, creating jobs and generating revenues."

Gerald Perreault, Western Upper Peninsula Planning & Development Regional Commission, Houghton, Michigan

"Creating good private sector jobs is the best way to increase the welfare of our citizens without dependence on handouts... EDA is leading the way on regional cooperative efforts to retain, expand and attract jobs."

Jon Coleman, Lansing Regional Economic Development Team, Lansing, Michigan

"Since 1975, we have been instrumental in leveraging small federal investments with local and private sector funds to stimulate private sector growth and job creation."

Raymond Rathbun, West Michigan Shoreline Regional Development Commission, Muskegon, Michigan

"The EDA has been of strategic importance to our Region by creating jobs for our local communities."

Robert Cudney, East Central Michigan Planning & Development Region, Saginaw, Michigan

TELECOMMUNICATIONS & INFORMATION

"The careful attention to detail, pursuing and directing monies to those most in need or to the programs that would directly further educational use of telecommunication networks, were supported each year. There were no frills or waste in any sense either in the use of professionals' time or successful entry into the use of telecommunications to the NTIA grant programs."

Constance Julius, Michigan Community College Association, Lansing, Michigan

"It would truly be a shame to eliminate a program that does such good work to ensure that our national information infrastructure will continue to serve the public good, especially by improving the health of Michigan's citizens."

Jeffrey Weihl, Michigan Association for Local Public Health, Lansing, Michigan

"Because of PACE Telecommunications' receiving financial support in the form of these grants from NTIA/PTPF sections of the Department of Commerce, it has been able to interconnect 16 school districts and reach home viewers totalling approximately 16,000 subscribers."

Jack Keck, PACE Telecommunications Consortium, Indian River, Michigan

"We strongly encourage the committee to defeat any attempt to weaken the public broadcasting system by eliminating the NTIA and its programs."

Dave Myers, Blue Lake Public Radio, Twin Lake, Michigan

"NTIA funding fosters regional and local programming and public access. Reduction or elimination of these funds contributes to the danger that many public stations will be forced to cease operations, thereby taking away service to many smaller communities."

Thomas Hunt, CMU Public Radio, Mt. Pleasant, Michigan

"It is inconceivable to me that members of Congress would even think about eliminating the NTIA at a time when the information explosion threatens to overwhelm us."

Robert Townsend, Regional Educational Media Center 10, Cass City, Michigan

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

"The staff of aquatic scientists and technicians at NOAA's Ann Arbor lab are very knowledgeable and competent scientists that have been conducting valuable studies on lower trophic levels, including physical and biological aspects, of the Great Lakes ecosystem."

Robert Haas, Lake St. Clair Fisheries Research Station, Mt. Clemens, Michigan

"I speak from personal experience in saying that the Director and staff of [GLERL] exhibited the highest level of public service and delivered quality information essential for ecosystem management of the Great Lakes."

Jon Stanley, University of Michigan, Ann Arbor, Michigan

"I speak on behalf of the entire eight state membership of the Great Lakes Commission which, by unanimous and enthusiastic vote, has adopted a policy position in support of continued and enhanced GLERL funding."

Michael Donahue, Great Lakes Commission, Ann Arbor, Michigan

"The proposed dismantling of the Department of Commerce will, if implemented, result in the loss of essential scientific infrastructure for the Great Lakes."

Chris Goddard, Great Lakes Fishery Commission, Ann Arbor, Michigan

"Working to insure clean, safe drinking water, a safe and hazard free transportation system, and understanding the complex interactions controlling the Great Lakes ecosystem are only a few of NOAA's major accomplishments."

Guy Meadows, University of Michigan, Ann Arbor, Michigan

"The proposed legislation is akin to Sherman's march to the sea in the damage that it will do to forecasting and research programs related to marine and Great Lakes' transportation, weather, water quality and ecosystem health research."

Charles Kerfoot, Michigan Technological University, Houghton, Michigan

"I am very concerned about (1) the irreparable harm to our nation's observing systems for weather and severe storms; (2) the abrupt stop of data flow essential to environmental studies that affect this nation's well-being; and (3) the harm to a large range of basic science research currently on-going throughout the country that would result if this bill is enacted."

Robert Shuchman, Environmental Research Institute of Michigan, Ann Arbor, Michigan

TECHNOLOGY/STANDARDS

"Our members believe the ATP is important in transferring the results of fundamental research into practical products. This results in the creation of jobs and an increase in export sales."

Keith Blurton, MERRA, Ann Arbor, Michigan

"The ATP is one of the few federal programs which targets civilian commercial technology development as a goal for improving U.S. competitiveness."

R.J. Pangborn, Dow Chemical, Midland, Michigan

"Our NIST ATP experience over the past four years has been one of unqualified success."

Dwight Carlson, Percptron, Ann Arbor, Michigan

"It is quite ironic that members of the House of Representatives from Michigan introduced [H.R. 1756], because the ATP is positively impacting a substantial part of the Michigan-based automotive industry."

Ernest Vahala, Auto Body Consortium, Ann Arbor, Michigan

"I believe there is value in having a cabinet level department working for and with American enterprise. I also believe that the prospect of shutting down an entire business division of government without a thorough examination is, at the very least, unwise."

W.C. Dyer, Midwest Manufacturing Technology Center, Ann Arbor, Michigan

"Your support in defeating H.R. 1756 will be appreciated."

Theo Merrill, Automotive Industry Action Group, Southfield, Michigan

Monroe Auto Equipment
Division of Tenneco Automotive

International Office
Monroe, Michigan 48161
(313) 243-6000



July 20, 1995

The Honorable John D. Dingell
U.S. House of Representatives
Washington, DC 20515

Dear Congressman Dingell:

By way of this letter, I would like to take the opportunity to comment on the pending legislation to abolish the Department of Commerce.

In the last two years, Monroe Auto Equipment Company, a division of Tenneco Automotive, has found the Commerce Department to have been a critical partner in several important business situations. The aggressive trade promotion policies of our government, coupled with knowledgeable human resources, is adding value to my company's efforts to compete in worldwide markets. The beneficiaries of these actions are Tenneco shareholders, our employees domestically and abroad, and the communities in which we reside.

Representatives from Tenneco Automotive have accompanied other U.S. automotive parts manufacturers on Commerce Department sponsored Automotive Matchmaker missions to the countries of the Association of South East Asian Nations (ASEAN), and most recently to China. These geographic regions represent some of the highest potential opportunities for the long-term growth of Monroe as their respective automotive industries develop. The coordination by the Department of Commerce effectively focused our efforts to interview potential joint venture partners and evaluate the automotive market prospects. The Department's presence also permitted us to communicate our concerns to those foreign government officials who are developing public policies that will define investments such as ours. It has been clear from these visits that component manufacturers from other countries are making the same rounds with the assistance of their respective governments in order to develop a competitive advantage in these markets.

In January, Richard Snell, the CEO of Tenneco Automotive, accompanied Secretary Ron Brown on the trade mission to India. With the imprimatur of the Secretary, our company was able to sign a joint venture agreement with the Indian market leader that will result in the production of Monroe shock absorbers within the year. Commerce Department and U.S. Embassy officials in New Delhi have continued to work with Tenneco Automotive to pursue policies with the Indian government that will encourage the broader availability and use of unleaded fuel. This will allow for the introduction of improved emission control devices, including catalytic converters on vehicles.

I know you are quite aware that the successful conclusion of the U.S.-Japan Automotive Framework discussions will provide significantly improved opportunities to serve the Japanese automotive market. These opportunities will occur both in the U.S. and Japan. The leadership and marshaling of appropriate resources by Ambassador Kantor and Secretary Brown were integral to concluding this exhaustive multi-year dispute. Keeping the U.S. automotive parts sector involved and providing a voice for it during difficult times is directly attributable to the government professionals who worked tirelessly on this issue.

Other Tenneco divisions, including Newport News Shipbuilding, Packaging Corporation of America, and Tenneco Gas have sought and received advocacy assistance from the Commerce Department. In addition, we have found the economic information resources available through the Department's various programs to be helpful in the development of strategic business plans.

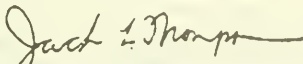
These are some of the more concrete examples in which the participation of the Commerce Department - as our partner in business development -- is making a positive difference in the future of Monroe Auto Equipment Company.

As a businessman, I find the efforts to streamline the federal government and reduce the deficit to be laudable and in concert with the business community's interest to create a strong economy. In the final analysis, I believe a Cabinet-level department focused upon export opportunities and the promotion of international market development will best serve the country at a time when global competition is at its keenest. I hope you and other Members of Congress will find ways to keep U.S. assets, like the Commerce Department, involved in the kinds of activities as I have outlined above. These public officials are adding great value to U.S. citizens, communities, and our companies.

The bottom line is the creation of more jobs in the USA from successful competition in the global marketplace.

Thank you for your time in considering my views on this matter. Please let me know if I can provide you with additional information.

Sincerely,



Jack L. Thompson
President

Acromag 
INTERNATIONAL CONDITIONING

30765 Wixom Road, P.O. Box 437 Wixom, MI 48393-7037 USA

Tel: (810) 624-1541 Fax: (810) 624-9234

July 17, 1995

Congressman John D. Dingell
U.S. House of Representatives
Committee on Commerce
Room 2125, Rayburn House Office Building
Washington D.C. 20515-6115

Congressman Dingell,

I recently had a chance to review information concerning House Bill H.R. 1756 and I strongly oppose its plan to eliminate the Department of Commerce. I am the International Sales Manager for a small electronic firm, Acromag, Inc. The planned change as proposed in H.R. 1756 would seriously impact my company's current plans to expand our export market.

Four years ago Acromag's international sales amounted to less than five percent of our total business. Through the valuable services and the encouragement provided by the local office of the Department of Commerce, Acromag has expanded its international sales to over twenty percent of our total business.

Prior to 1990 Acromag's international sales were primarily in Canada and central Europe. As these markets changed and shrank, so did Acromag's international sales. After taking over the position of International Sales Manager in 1990, I made contact with the Department of Commerce and was provided with information on a number of countries worldwide that would readily fit our market. Of particular importance were Japan, Korea, and the rest of the Asian market.

Based on research information provided by Commerce and their assistance in searching for distributors of products similar to Acromag's, we have been able to successfully expand our sales into both the Asian and Middle East market. This would have been difficult or even impossible for a small company like Acromag to accomplish if we had to do all of the market research ourselves or pay an outside firm to do this research for us.

In addition to providing market specific research, the Department of Commerce help insured the success of visits to these new export markets by providing us with names of companies who would be interested in distributing or purchasing our products. Acromag's management would have been very reluctant (as they should be) to allow the expenditure of thousands of dollars to travel to Asia for several weeks without being assured the visits would be successful. Contacts provided by the Department of Commerce insured that each visit was a success.

When I look at the future prospects for Acromag, I see that for our international sales to grow, we will need to expand into Central and South America as well as Mexico. These countries pose a particularly unique problem in that the available market research from the private sector for these countries offered is very limited. In addition, the information that is available is targeted towards very large market segments such as the automotive industry.

We would expect to have to make an investment of thirty to fifty thousand dollars a year to undertake the marketing research needed to enter the South American market. This may be a small amount for a large company, but is a large investment for a small company. Recently Acromag has been working with the Commerce Department to obtain market research on our industry in many of the South American countries.

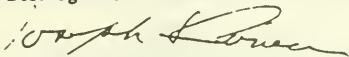
Beyond market research, Acromag has been working with the Commerce Department with regard to the upcoming Representaciones Guadalajara '95 Trade Show. This show provides ready access to distributors and representatives from the Mexican market as well as education concerning the social and business practices of Mexico.

This trade show will allow me to visit Mexico for as little as three days and have the opportunity to talk with the leading distributors in the industry. Access to a broad base of distributors for our type of products will allow me to readily pinpoint market requirements and the different distribution techniques available. This is a unique service the Department of Commerce provides for small U.S. companies. Such services insure that small American companies can continue to expand in the export market, thus strengthening the overall economy of the United States.

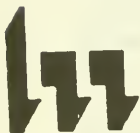
It is my hope that you will seriously take into consideration the requirements of small companies like Acromag, Inc. in considering the future of the Department of Commerce. Possibly all parts of the Department of Commerce do not need to continue in their present form, but the services provided to the small business in the United States and their continued push into the export market should be retained. If the U.S. is to continue to remain competitive in the worldwide market, it will need small and medium-size companies to continue to expand their export market. It is those companies that are willing to make investments teamed with the resources of the Commerce Department that will insure the long-term growth of exports.

I look forward to your report on this issue. If you or any of your staff would like to discuss this with me, I would be more than happy to provide you the time.

Best regards,



Joseph L. Primeau
International Sales Manager
Acromag, Inc.



healthmark
INDUSTRIES CO
health care products

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Telephone (810) 774-7800

Fax: (810) 774-8473

July 19, 1995

The Honorable John D. Dingell
United States House of Representatives
Committee on Commerce
Room 2123
Rayburn House Office Building
Washington, DC 20515-6115

Re: House Bill H.R. 1756

Dear Sir:


In response to your request for Healthmark's position on House bill H.R. 1756, we at Healthmark are very much concerned as to the ramifications of this bill. We believe that the Department of Commerce has been an effective advocate for our business interests abroad. The House Bill H.R. 1756 fundamentally stultifies the effectiveness of the U.S. and foreign commercial services, regional and country analysts used to support trade promotion, and international negotiations.

The abolition of these services is of concern to us because we have contacted the foreign commercial services both for country and regional information to help us market effectively. We have used the Department of Commerce's local liaison in the target countries to help us assist in contacting potential business partners. As a direct result of these contacts, and the information we've obtained, our export business has increased ten-fold. The foreign service staff has been helpful and courteous, a true gem among the federal bureaucracy.

We continue today, to use the Department of Commerce's aforementioned services, and feel that the House of Representatives Committee on Commerce would be remiss in recommending the elimination of the Department of Commerce and its services.

Sincerely,

HEALTHMARK INDUSTRIES CO.



Mark D. Basile
President

MDB/ml

cc: Honorable Ronald H. Brown, Secretary
Department of Commerce

HR1756

East Central Michigan Planning & Development Region

MI

July 20, 1995

3535 State Street
Saginaw, MI 48602

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(517) 797-0800

Fax:
(517) 797-0896

Rideshare:
(517) 797-0885

The Honorable John D. Dingell
Ranking Member
U.S. House of Representatives
Committee on Commerce
Room 2125 Rayburn House Office Building
Washington, D.C. 20515-6115

Dear Representative Dingell:

This letter is in reference to H.R. 1756 recently introduced in the House of Representatives to abolish the Department of Commerce. The East Central Michigan Planning and Development Regional Commission which represents 338 local governments in Michigan is opposed to the elimination of the U.S. Department of Commerce and its subsidiary agencies. It is our Commission's perception that the U.S. Department of Commerce performs an important role in expanding investment opportunities for American businesses abroad. This in turn, creates jobs for American workers and strengthens our domestic economy.

Our Regional Commission has worked closely with the U.S. Department of Commerce's Economic Development Administration (EDA). The EDA has been of strategic importance to our Region by creating jobs for our local communities. The East Central Michigan Planning and Development Regional Commission is an EDA Economic Development District which serves fourteen counties, their 324 sub-county local governments and one tribal government. Our organization provides a variety of services to these communities and their businesses including comprehensive economic development planning, transportation planning, environmental management, rideshare coordination, demographic services and governmental planning.

Our Region has been responsible for developing a number of vital projects for our member communities, such as:

The Iosco County Wurtsmith AFB Conversion Title IX grant of \$9,717,500 has created 644 of the 700 civilian jobs lost in 1993. American International Airways employs 325 persons with 50 more jobs projected after a \$2.6 million expansion. The Bounry Division of AI converts passenger planes to cargo jets.

Arenac
Bay
Clare
Gladwin
Gratiot
Huron
Iosco
Isabella
Midland
Ogemaw
Roscommon

The City of Alma Industrial Park received two EDA grants of \$578,680. This Certified Park has Alma Products Co. and United Technologies Corp. employing 811 persons in its expanded North Section. The older South Section has Lobdell-Erery Mfg. Co. and Total Petroleum, Inc. employing 880 persons.

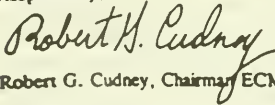
The City of Mt. Pleasant has received \$1,182,080 from EDA for its Research Technical Park and its Industrial Park. The parks employ 341 persons in their initial companies CME Corporation, Maple Roll Leaf and TB Woods & Sons Co. The Middle Michigan Development Corporation attracted the former two companies from Japan and Canada respectively with Department of Commerce assistance.

The Village of Deckerville has been able to retain 520 jobs at Dott Industries, Inc. and Newcor, Inc. with an EDA \$361,152 Water System Project Grant. The former industry was able to create 75 new jobs when unemployment was at 16% in Sanilac County.

In the early 1980's our staff documented a loss of 11,283 jobs in our Region. We subsequently obtained an EDA Revolving Loan Fund (RLF) called the Auto Community Adjustment Program (ACAP). We have loaned and re-loaned the \$375,000 RLF to create or save 457 jobs, leveraging \$9.4 million in private capital. The ratio of Federal dollars to jobs is merely \$821 per job.

If you combine all the jobs and grant dollars above, each job averaged only \$3,211 in federal dollars. Since 1973 over \$62 million in EDA grant funds for our local communities has been responsible for over 20,000 jobs in East Central Michigan. EDA is needed as a stimulus for private sector job development since the 1990's downsizing of of General Motors Corporation and the resulting pool of highly qualified workers.

Respectfully,



Robert G. Cudney, Chairman ECMPDR

Vice-Chairman, Iosco County Board of Commissioners

SOUTHWESTERN
MICHIGAN
COMMISSION



"Serving Business
and Government"

SOUTHWESTERN MICHIGAN COMMISSION

185 East Main St., Suite 701, Benton Harbor, Michigan 49022-4440
Phone 616/925-1137 · FAX 616/925-0288

Local Government Services · Regional Information Center · Regional Planning
Hills and Twin Cities Area Transportation · Criminal Justice Training
Human Resources Commission

20 July 1995

COPY

The Honorable John D. Dingell
United States House of Representatives
Committee on Commerce
Room 2125, Rayburn House Office Building
Washington, D.C. 20515-6115

Dear Representative Dingell:

Speaking for the Southwestern Michigan Commission, I thank you for your interest in evaluating the impact of the Economic Development Administration and other federal development programs. We consider ourselves a partner in the work of the federal government that provides economic expansion in our nation and communities.

The Southwestern Michigan Commission represents a voluntary intergovernmental coalition of three counties, comprising 88 local units of government, for the purpose of anticipating and addressing regional issues. We contribute a variety of services for technical and management assistance in local, state, and federal programs that meet established area-wide planning and development goals.

As an EDA Economic Development District, our organization has helped many communities bring about projects important to business development. For example:

- X The Cornerstone Industrial Park - a cooperative venture between The City of Benton Harbor and Benton Charter Township, constructed with \$438,000 in federal funds as part of a total \$730,000 investment that created 116 jobs in two new manufacturing companies.
- X The Niles Center for Business Development - a small business incubator with 30 current tenants that has already launched 27 "graduate" companies into the area, creating 129 jobs, from an initial \$400,000 federal grant that matched a \$100,000 community commitment.

Since 1982, approximately 2.3 million federal dollars leveraged \$3.1 million in public infrastructure investment for our region. It provided the needed seeds for countless dollars of private investment and growth. Without federal support, these successes would not have been achieved. In my own county, there waits an industrial/commercial business park that depends on a federal infusion of dollars to match limited local and state funds. The project will immediately create over 100 jobs in an area with unemployment nearly double that of the state.

Another part of EDA that provides immeasurable benefits to local communities is the Economic Development District program, of which SWMC is one. With 75 percent federal and 25 percent local funds, we can hire professional staff to carry out regional and local planning which helps ensure that local officials make careful decisions and spend federal, state and local dollars with the most effective results. It is one of few federal programs in which local needs determine all of the implementation activities. Without assistance, many of our communities would be technically unable use the programs and tools that allow them to prosper for little dollars that can be shared across three counties. An elimination of EDA and the district program, would create a gap in service delivery that is currently very critical in an era of a shrinking federal role. The district program could continue helping communities with necessary adjustments to a different circumstance.

I hope that we can count on your support for EDA and other federal planning and development programs. Please consider the Southwestern Michigan Commission a resource upon which you may call for additional information about how federal programs affect and improve our communities.

Thank you for your consideration.

Sincerely,

Wilbur Ingrham
 Wilbur Ingrham

Chairperson, Southwestern Michigan Commission
 representing Van Buren County Board of Commissioners

MICHIGAN COMMUNITY COLLEGE ASSOCIATION

122 N CHESTNUT STREET

LANSING, MICHIGAN 48203-1000

TELEPHONE (313) 372-4350

FAX (313) 372 0905

DATE RECEIVED

July 17, 1995

JUL 25 1995

John D. Dingell
 U.S. House of Representatives
 Committee on Commerce
 Rm. 2125 Rayburn Office Bldg.
 Washington, D.C. 20515-6115

DATE

CITY

Dear Representative Dingell,

I appreciate your inquiry concerning the Department of Commerce and its abolishment. What a travesty!!!!!! I have read proposals and grant requests for many entities throughout the country. For the last three years I have been privileged to read such proposals for the NTIA program through the funds allocated for Distance Learning in the Telecommunications facilities program under the supervision of Dennis Connors.

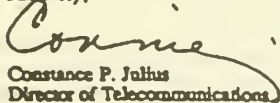
This program has been, without exception, the most effectively and efficiently organized grant program that I have ever been associated with among many federally run programs of its kind. The careful attention to detail, pursuing and directing monies to those most in need or to the programs that would directly further educational use of telecommunication networks, were supported each year. There were no frills or waste in any sense either in the use of professionals' time or by the distribution of grant monies. Many areas of this country owe their successful entry into the use of telecommunications to the NTIA grant programs. Furthermore this national activity is just beginning so this is not an old overspent or no longer needed project.

You, of course, will be interested to know that many areas of Michigan have been helped by this program; namely, Traverse City area, Indian River area, the Upper Peninsula and the Saginaw City area, just to mention a few.

To callously dismantle programs that work for specious or, worse yet, political reasons is the worst kind of government action. It continues to make citizens like myself highly skeptical of our elected officials. So, please save this program! Educational programs are being "hit" in numerous ways and educational institutions are told repeatedly to get their students "on the information highway," so this is not the time to dismantle programs that WORK! This Brite program has been one true diamond in a barrel of fake jewels in Washington D.C.

I appreciate your request for input and good luck.

Sincerely,



Constance P. Julius
 Director of Telecommunications

CPJ/ab

p.c. Dennis Connors

July 19, 1995

The Honorable John D. Dingell
 U.S. House of Representatives
 Committee on Commerce
 Minority Counsel
 2322 Rayburn House Office Building
 Washington, D.C. 20515

55 JUL 27 4:10:00
 JOHN D. DINGELL
 U.S. HOUSE OF REPRESENT.

Dear Representative Dingell,

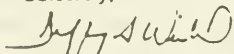
I am forwarding my comments regarding the Committee's deliberations on H.R. 1756 which would abolish the U.S. Department of Commerce and eliminate the National Telecommunications and Information Administration (NTIA). I won't claim to be an expert on national telecommunications policy. I am, however, very concerned that proposed legislation eliminating or curtailing NTIA could have a serious negative impact on Michigan's citizens.

Our organization, the Michigan Association for Local Public Health, represents all 50 of Michigan's city, county and district public health departments which cover all 83 counties in our state. In 1994 we were the recipient of a Telecommunications and Information Infrastructure Assistance Program (TIIAP) grant. This grant, matched by State of Michigan general fund resources, provided direct and immediate benefits to local governments throughout the state and continues to promote the health of Michigan's citizens. The grant is helping to build an information exchange infrastructure connecting all 50 local health departments and the Michigan Department of Public Health. This project will allow virtually all of Michigan's thousands of Public Health professionals to better collaborate, share vital health information, conduct research between and among jurisdictions, as well as providing easier access to innumerable state and federal databases. In addition this project is increasing contact between public health professionals and the general public via electronic communication and the Internet.

Providing this technological assistance was a great boon to our state, yet NTIA's assistance went far beyond merely funding to make the program an even greater success. By exhibiting the all too rare phenomenon of interagency cooperation, NTIA was able to coordinate its program with the Statewide Immunization Information System (SIIS) project administered by the Centers for Disease Control and Prevention (CDC). This cooperation helped serve the additional goal of building the electronic infrastructure to support Michigan's proposed statewide immunization registry. It is indeed refreshing to find that government projects don't always have to be in competition or conflict but can (and do) cooperate to assist state and local units of government in a coordinated fashion.

We have been very pleasantly surprised in our dealings with NTIA staff at the Department of Commerce. We have found them to be professional, accessible, knowledgeable and to respond in a timely fashion. We found NTIA's grant process to be very fair and workable. It would truly be a shame to eliminate a program that does such good work to ensure that our national information infrastructure will continue to serve the public good, especially by improving the health of Michigan's citizens.

Sincerely,



Jeffrey S. Wehl
 Sr. Data Analyst
 Michigan Association for
 Local Public Health

PACE

Telecommunications

Consortium

Providing Academics Cost Effectively

6088 Learning Lane • Indian River, FL 34749
Director, Jack A. Keck • (816) 338-0394 • FAX (816) 338-7153

July 21, 1995

Honorable John D. Dingell
Ranking Member
Committee on Commerce
U.S. House of Representatives
Committee on Commerce
Room 2322, Rayburn House Office Building
Washington, DC 20515-6115

Dear Honorable Dingell:

PACE Telecommunications is an educational television network that serves the school districts and communities in six counties in northern Michigan: Charlevoix, Emmet, Cheboygan, Oscego, Presque Isle, Antrim. Over its four channels (three into the schools and one into the homes as well), it transmits high school classes, elementary level classes, college courses, programming of general interest, professional development and community awareness. PACE utilizes both nationally downlinked as well as locally-produced programming. It reaches 16 school districts, 2 intermediate school districts and approximately 16,000 cable subscribers and interacts with the local community college.

Through a NTIA/PTFP grant through the U.S. Department of Commerce in 1990 and again in 1994, PACE Telecommunications has been able to support educational needs via the information highway and accomplish what it set out to do as defined in its narrative in these grants:

Construction of the public telecommunications facilities proposed in this application is critical at this time for the following reasons:

--Local educational agencies, the general public, businesses and governmental agencies firmly believe that advanced high school courses are essential to permit the area to compete and develop economically. The proposed telecommunications system meets this need cost-effectively, efficiently, and with public acceptance.

--Construction and integrated networking of ITFS, microwave, and cable facilities is needed to correct the existing condition of students graduating from high schools without adequate advanced courses in math, science and language. The absence of advanced courses limits the economic growth of the area, causes future unemployment, and leads to larger long-term social program costs.

--The area suffers from an unusually high unemployment rate and is economically depressed (see exhibit N). Adult education, in-service and job re-training activities will be offered by the project for the first time to the community at large.

--The project, if delayed, will result in substantially greater costs to the local area as the school districts struggle to use alternate and more costly methods in the delivery of instructional programs. Major engineering, site selection, cooperative planning, and program development have been accomplished. If progress toward construction and implementation of the project is not accomplished in the planned time span, nonfederal matching funds will be depleted due to expenditures on less-effective alternatives.

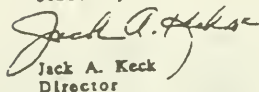
Implementation of the above objectives has benefited the entire community, not just the schools. Business/industry, profit/nonprofit, governmental/nongovernmental and public/private have all been recipients of educational resources PACE has provided via ITFS, cable, compressed and microwave communications.

Because of PACE Telecommunications' receiving financial support in the form of these grants from the NTIA/PTFP sections of the Department of Commerce, it has been able to interconnect 16 school districts and reach home viewers totaling approximately 16,000 subscribers. Without the cooperation and valuable long-term experience of the department's personnel, PACE Telecommunications would have been unable to fulfill an ethical obligation to its community.

The Department of Commerce has a proven track record as is evidenced by their ability to evaluate from experience the probability of grant proposals to succeed, and hence, to approve those applications. However, the FCC has a proven track record regulatory in nature only. In addition, they are understaffed and already carry an overwhelming workload. Therefore, the FCC does not appear to be the appropriate agency to handle large grant applications. And, combining these two agencies would create inefficiency and greater delays, which would cause hardship to those applying for grants.

From the perspective of PACE Telecommunications Consortium, maintaining the present organizational structure of the Department of Commerce and the FCC is desirable. The NTIA/PTFP housed under the Department of Commerce allows for organizations such as PACE Telecommunications to serve its community. Changing that approach would most likely endanger PACE's ability to provide its community with necessary educational input.

Sincerely,



Jack A. Keck
Director

STATE OF MICHIGAN



JOHN ENGLER, Governor

DEPARTMENT OF NATURAL RESOURCES

ROLAND HARMES, Director

NATURAL RESOURCES
COMMISSION

JERRY C. BARTHE
KEITH J. CHARTERS
LARRY DEWYNT
PAUL EISELE
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E-Mail: Bob.Harmes@dnr.state.mi.us

July 17 1995

John D. Dingell
Ranking Member
U. S. House of Representatives
Committee on Commerce, Minority Counsel
Room 2322, Rayburn House Office Building
Washington, DC 20515-6115

Dear Representative Dingell:

Thank you for the opportunity to comment upon H. R. 1756 and related proposals to abolish the Department of Commerce. Of greatest concern to me would be the loss or diminution of the very valuable studies on the aquatic ecosystems of the Great Lakes by NOAA's Great Lakes Environmental Research Lab in Ann Arbor.

I have been conducting fisheries research on the lower Great Lakes for the State of Michigan for 30-plus years. During that time I collaborated on numerous occasions with, or relied upon, aquatic research conducted by NOAA personnel from Ann Arbor lab. I have been using meteorological summaries and analysis provided free by them to determine causes of changes in fish populations. For about five years I have been involved in cooperative studies with NOAA scientists to determine effects of zebra mussels and other exotic species on the ecosystems of Lake St. Clair, Saginaw Bay, and Lake Erie. Personnel from NOAA have

been very helpful in developing a 1995 study and management plan to address the aquatic plant problem that developed on Lake St. Clair in 1994. I have also been studying the plankton populations of Lake St. Clair, Saginaw Bay and Lake Erie for six years to determine their importance to walleye spawning success and NOAA scientists were the experts on plankton research that I turned to for advice on study design, techniques, and assistance with interpretation of results.

The staff of aquatic scientists and technicians at NOAA's Ann Arbor lab are very knowledgeable and competent scientists that have been conducting valuable studies on lower trophic levels, including physical and biological aspects, of the Great Lakes ecosystem. Their work on exotic species invasions and nutrient dynamics has been an invaluable aid in interpreting results from my own research on Great Lakes fish populations. I know of no other agency, nor group of scientists, that could have performed that work. Therefore, I strongly recommend that NOAA's Great Lakes Environmental Research Lab be maintained as is which would definitely benefit the State of Michigan.

Sincerely,

Robert C. Haas
Robert C. Haas
Biologist in Charge

The Arthur H. Hays Building ☐ 600 Fourth St., Ann Arbor, Michigan 48101-4616
Office (313) 665-9135 ☐ Fax (313) 665-4370 ☐ E-mail: rch@great-lakes.net



July 20, 1995

EXECUTIVE DIRECTOR
MICHAEL J. DONOHUE, Ph.D.

EXECUTIVE COMMITTEE

CHAIR

PATRICK E. BAILETON
Deputy
Indiana Dept. of
Natural Resources
Indianapolis, Indiana

VICE CHAIR

DONALD B. VORLANDER
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Massachusetts State Representative
Dorset, Massachusetts

MICHAEL D. ZAGATA
Commissioner
New York State Dept. of
Environmental Conservation
Albany, New York

DONALD C. ANDERSON
Director
Ohio Dept. of Natural Resources
Columbus, Ohio

RUDIE BROOKS
Pennsylvania Dept. of
Environmental Protection
Harrisburg, Pennsylvania

NATHANIEL E. BOBOLICH
Wisconsin Dept. of
Administration
Madison, Wisconsin

The Honorable John D. Dingell
United States House of Representatives
House Office Building
Washington, D.C. 20515

Dear Representative Dingell:

Thank you for your letter of July 14 and your invitation to share my views on the programs of the National Oceanic and Atmospheric Administration. Specifically, I will address the work of NOAA's Great Lakes Environmental Research Laboratory (GLERL) based in Ann Arbor, Michigan. I speak on behalf of the entire eight state membership of the Great Lakes Commission which, by unanimous and enthusiastic vote, has adopted a policy position in support of continued and enhanced GLERL funding.

The Great Lakes Commission opposes any Congressional Initiative that would compromise GLERL's current mandate and programs, whether it be through privatization, budget cuts or elimination of functions. We do recognize and applaud Congressional efforts to enhance efficiency in the administration of federally supported programs. We further recognize that deficit reduction goals necessitate careful review and evaluation of such programs. With regard to GLERL, however, we find that its programs are a sound and essential investment to the sustainable use, development and protection of the International Great Lakes system.

GLERL's programs must be maintained to ensure that:

- the historic federal role in Great Lakes research and management—as recognized in U.S. law—is fulfilled;
- federally-mandated management programs are adequately funded to meet critical, Congressionally-established goals;
- treaty, convention and agreement obligations with Canada are met;
- baseline research necessary for informed public policy decisions is maintained; and
- an environmental infrastructure exists to meet current and future needs.

GLERL plays a critical role in the region's state/federal partnerships, and provides basic and applied research in the physical and biological sciences, such as hydrology, toxicology and oceanography. Such research improves our basic understanding of the decisionmaking

activity. Knowledge and expertise gained through GLERL's research provide benefits beyond our region, as many of the problems affecting the Great Lakes ecosystem are common to other coastal environments.

The Laboratory's ongoing zebra mussel research program is unique to the nation, as it focuses on an entire ecosystem. Research results have provided a basis for federal, state, municipal and private sector prevention and control efforts. Continuation of that research is essential as new threats, such as the Eurasian ruffe, emerge.

GLERL's nearshore hydrodynamics program examines the nearshore environment. This area provides critical spawning habitat for many Great Lakes fish, yet is plagued by a developing effective remediation and protection measures.

Established in 1955 by inter-state compact "to promote the orderly, integrated and comprehensive development, use and conservation of the water resources of the Great Lakes Basin."

In summary, GLERL's research activities are fundamental to the continued vitality of the Great Lakes region. Maintenance of GLERL's mission and functions, coupled with a small increase in GLERL's funding, is an investment necessary to ensure that policy makers and managers can continue to prevent as well as control threats to this nationally significant resource and the economy that depends on it. We recommend an FY1996 funding level of \$5.96 million. This figure would maintain the GLERL base budget at \$4.55 million, and provide an additional \$91 million for zebra mussel/aquatic nuisance species research, and \$5 million for its nearshore hydrodynamics program.

As always, we appreciate your leadership, and urge you—on behalf of our eight member states—to maintain and enhance the programs of NOAA's Great Lakes Environmental Research Laboratory.

Sincerely,



Michael J. Donahue, Ph.D.
Executive Director

MJD/vjs



ERIM

P O. Box 134001
Ann Arbor, MI 48113-4001

313-994-1200

24 July 1995

The Honorable John D. Dingell
U.S. House of Representatives
Commerce Committee Minority Counsel
2322 Rayburn House Office Building
Washington, DC 20515

RE: Consequences of H.R. 1756

Dear Sir,

This letter summarizes my views on House bill H.R. 1756 which would abolish the Department of Commerce (DOC) and specifically dissolves many of the functions of NOAA. I cannot comment on the Commerce side of things, but I am certainly very familiar with the operations of NOAA. As an earth scientist at the Environmental Research Institute of Michigan (ERIM), as well as adjunct professor in the Atmospheric, Oceanic, and Space Science Department at the University of Michigan, I am very concerned about (1) the irreparable harm to our nation's observing systems for weather and severe storms; (2) the abrupt stop of data flow essential to environmental studies that affect this nation's well-being; and (3) the harm to a large range of basic science research currently on-going through out the country, that would result if this bill is enacted.

Privatizing the data centers will not work; the Landsat experience taught us that lesson when utilization of the data by the scientific community drastically decreased as a result of its increased cost. Privatization will threaten current international agreements for the free exchange of weather and environmental data. The continuous flow of data among participating governments would not be guaranteed, and the amount of data available to NOAA and the private and public sector in the U.S. would decrease, significantly affecting on-going civilian research. NOAA's GOES and Polar satellites support a variety of NOAA activities in addition to the National Weather Service (NWS). The National Environmental Satellite Data and Information Service (NESDIS) operates the satellites and transforms the data into products that both the NWS, as well as other government users such as the Department of Agriculture, EPA, USGS, and NOAA need to carry out their work on an operational and research basis. If the NWS were to assume responsibility for satellite operations and the development of new satellites and sensors, the links with the other, non-weather data users would become cumbersome and likely would suffer.

Privatization of NESDIS would also result in the loss of continuity of data for the national archives. The long-time-series data in the archives generated by NESDIS is of critical importance to understanding ecosystem processes and variability. Anthropogenic influences and changes in weather patterns may lead to changes in ecosystem structures and functions that we cannot now predict with any certainty. Further maintenance of this long-term monitoring program is essential for identifying change, and when combined with appropriate work on key ecological processes, is important for development of appropriate mitigation strategies. Selling the assets to commercial enterprise will not ensure archiving or access by the general public; certain data sets lack commercial value, but are very necessary for the long-time-series studies. There is no guarantee that industry would maintain, for general use, the NOAA oceanographic, atmospheric, and geophysical data bases that are unprofitable yet are recognized as critical to environmental understanding. Privatization could also raise the cost of data access by the research community (including U.S. government employees) to the point that they could no longer afford to utilize it.

The information highway (i.e. internet) has made data from the NOAA centers readily available. This available data is used by private firms to generate their own value-added products. Commercialization will add a cost to the value-added products that in some cases will be prohibitive to the ultimate user. ERDM and other Michigan companies generate "value-added" products using NOAA satellite data now, but increased cost of "raw data" could lead to a decrease in revenues of these products which would stop their generation and result in loss of jobs in Michigan.

The remainder of my letter addresses the impact of the proposed twenty-five percent reduction in FY '94 level of funding (i.e. the Chrysler legislation) for NOAA. The reduction proposed by this legislation would pare in half the future weather satellite coverage, resulting in a blackout should a currently working satellite fail. Gaps in satellite coverage, critical for weather warnings and forecasts, would be unavoidable because procurement of replacement satellites could not be fully funded. The elimination of one GOES would prevent the early warning of Atlantic storms and coverage of the Hawaiian archipelago. Elimination of one Polar satellite reduces by half the coverage of Alaska. With this minimal program, all weather warnings would be severely degraded, hurricane predictions would be jeopardized, and the accuracy and reliability of 3-5 day weather predictions would be degraded. It eliminates 4-hour global coverage which negatively impacts U.S. interests abroad, including global military operational support. Event detection, such as volcanic ash for airplane warnings, would also be curtailed. Search and rescue time will be doubled thereby threatening lives, which is critical to all private and public sectors, most notably aviation. Several requirements of non-weather users would alter the planned operations of GOES for the NWS forecast mission. The continuance of such services as Search

and Rescue and the GOES archive, not being in the mainstream of NWS day-to-day activities, would likely be restricted or even abolished under NWS control. The development of new sensors, a traditional NESDIS function, would have little support in the NWS and would most likely be abandoned. It would also be impossible to implement NOAA's polar satellite follow-on program as conceived through convergence with DoD and NASA at seventy-five percent of FY '94 funding.

Another NOAA matter, the proposed elimination of the Coastal Ocean Program, suggests an insensitivity to the environmental and life-sustaining importance of coastal regions, and the cumulative impacts of expanding human population on such regions. From an environmental perspective, coastal environments are transitional regions which comprise about eight percent of the earth's surface and are subject to the combined influence of high energy land, ocean, and atmospheric processes. These environments are characterized by highly dynamic natural processes such as water runoff, materials transport, evaporation and precipitation, and biological production which both affect, and are affected by, the global environment. For life-sustaining purposes, coastal environments include some of the most productive ecosystems on earth, estimated to contribute around 25 percent of global biological production and providing more than 90 percent of the world's marine fish catch.

The demographics of global and U.S. populations, and the cumulative effect of their activities pose a significant threat to the future health and productivity of coastal environments. More than 75 percent of the global population is now estimated to live within 50 km of the sea. In the U.S., approximately 54 percent of the total population lives on the 10 percent of the land area defined as coastal. These burgeoning populations are placing increasing demands on the land and biological resources of coastal environments for habitation, recreation, and transportation. The health of ecosystems is being threatened through the use of fertilizers and pesticides, accidental releases of environmental contaminants, and disposal of toxic and human waste materials.

The Coastal Ocean Program represents a vital activity within NOAA with the mandate for developing the Agency's scientific capabilities for coastal ocean management. Research and monitoring programs are specifically focused on improving understanding of the natural systems of coastal regions and the ecological impacts of human-induced stresses on the systems. I believe these programs to be essential for developing the scientific underpinnings necessary for formulating the appropriate legislative and management programs in coastal regions. I am personally aware of technology development efforts involving coastal remote sensing and believe that the development of such monitoring capabilities will contribute vital information on coastal region processes, dramatically improving our understanding of coastal dynamic processes such as ice formation and movement, sediment resuspension events, and nearshore hydrodynamics.

Again, researchers at ERIM, as well as the University of Michigan, are funded under this NOAA coastal initiative. Elimination or a reduction in funding level will put people out of work in Michigan. Michigan, with its extensive Great Lakes coastline, also directly benefits from the NOAA coastal thrust.

I hope the enclosed comments are useful in your deliberation. Feel free to contact me at (313) 994-1200 ex. 2590 if you require further details.

Sincerely,


Robert A. Shuchman, Ph.D.



MERRA

Increasing Michigan's Growth Through Technology

July 20, 1995

Representative John D. Dingell
 U.S. House of Representatives
 Committee on Commerce
 Rayburn House Office Bldg., Rm 2125
 Washington, DC 20515-6115

Dear Mr. Dingell,

Thank you for the opportunity to provide information to you on MERRA's experiences with the Advanced Technology Program (ATP) and the Manufacturing Extension Program (MEP) of the U.S. Department of Commerce. MERRA strongly supports these programs.

MERRA is a Michigan public/private partnership whose mission is to increase Michigan's economic growth through technology. Our membership consists of the most influential institutions in Michigan. It includes major corporations, both the executive and legislative branches of state government, universities and economic development organizations.

An important part of our program is providing assistance to Michigan companies in preparing proposals for solicitations under this program. We, therefore, have a lot of experience with the Advanced Technology Program.

Our members believe the ATP is important in transferring the results of fundamental research into practical products. This results in the creation of jobs and an increase in export sales. Its value to the industrial base of this country is shown by the willingness of companies to provide at least half of the funding in partnership with the federal government. Some important points which should be considered as the Congress debates this program are:

- Our international competitors in Japan and Europe receive assistance from their governments to commercialize new technology-based products. The assistance provided by the Ministry of International Trade and Industry (MITI) in Japan is well known. Assistance is also given by European governments to their companies under programs such as the Joint European Submicron Silicon Initiative (JESSI) which focus on the European electronics industry.
- The transistor and integrated circuit were invented in the United States whereas nearly 50% of the consumer electronic products today are imported. Government assistance is needed to ensure that the new inventions in the future are commercialized in this country. Even as the Congress debates the ATP program, it was announced this week that the last American-owned television manufacturer, Zenith Electronics, sold a controlling interest to the Korean manufacturer Goldstar.
- Much of the technology developed in the ATP program is on the list produced by the National Critical Technology Review. This list defines those technologies which are driving forces in U.S. economic prosperity and national security. For example, MERRA assisted the Automotive Composites Consortium receive funding to develop composites technology for automobiles. This is a technology where the United States lead is being reduced by our foreign competitors. The Review data suggests that funding for these critical technologies should be increased rather than decreased.

■ Although it is important for the federal government to fund fundamental research, it is not automatic for the results of this research to trickle down

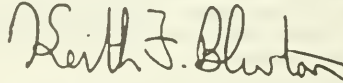
to practical use. Indeed, the results are published in the open literature and are picked up by corporations across the world. It is extremely important for the federal government to stimulate the application of this research in the United States.

MERRA's direct experience with the MEP is less extensive. However, several of our members have been part of this program. Therefore, we see the valuable assistance they are providing to small- and medium-sized companies. This has helped increase the quality of products manufactured by these companies and company profitability. This is invaluable in ensuring, for example, that U.S. auto companies purchase parts from American companies rather than from overseas.

As you requested, I have circulated your letter to our members with interest in these programs. I have asked that they respond to you directly.

I recognize the pressures the Congress will face with appropriating funds for FY96. However, the ATP and MEP are important programs benefiting the economy of the nation, and I encourage the Congress to continue their funding.

Cordially,



Keith F. Blurton
President



Automotive Industry Action Group
26200 Lahser Road Suite 200
Southfield MI 48034
Phone (810) 358-3570
Fax (810) 358-3253

July 27, 1995

Honorable John D. Dingell
U.S. House of Representatives
Committee on Commerce
Room 2125, Rayburn House Office Building
Washington, DC 20515-6115

Dear Sir:

H.R. 1756, being discussed by your committee, is of interest to the Automotive Industry Action Group (AIAG). The National Institute for Standards and Technology (NIST), a very active and critical partner in several efforts involving the North American automotive industry, will be adversely affected by passage of H.R. 1756.

NIST currently provides unique technical assistance to a current program managed by AIAG. This program, called AutoSTEP, seeks to migrate an emerging international Standard for Exchange of Product data (STEP) throughout the automotive supply chain. This effort has strong automotive industry backing, not only with the North American OEMs but also with the major European OEMs. NIST is a central point for STEP development in the United States. Several areas where they contribute are:

- Coordination of several diverse efforts to gather industry requirements for product data exchange. This insures these requirements drive STEP development and incorporates the needs of the North American automotive industry.

- Insuring the United States retains the global lead in development and implementation STEP. The U.S. auto industry depends upon a single set of standards for their operations. Standards that act as trade barriers are not good!
- Leading the effort to insure the U.S. paces the world in STEP conformance and interoperability testing, insuring the error free exchange of product data.
- Supporting several industry pilots that seek to ease the adoption and use by major U.S. automotive manufacturers and their suppliers.

STEP and the assistance NIST provides in its development and implementation is critical to the full integration of U.S. OEMs with their global supplier community. Design time and cost is reduced while quality substantially improved through this global integration.

Mr. Dingell, your support in defeating H R. 1756 will be appreciated.

Sincerely,

Theo D. Merrill
Executive Director, ALAG
Ford Motor Company

CHIVAS PLASTICS

PRODUCTS LIMITED

July 27, 1995

The Honorable John Dingell
U.S. House of Representatives
Washington, D.C. 20515

Dear Congressman Dingell:

I thought you might be interested in hearing about the valuable assistance Chivas Products Limited - Plastics Division received, thanks to federal support

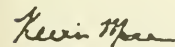
Chivas Plastics is a (100) person operation in Canton, Michigan that manufactures injected molded interior trim components for the automotive industry. We recently worked with the Michigan Manufacturing Technology Center, which is part of the NIST Manufacturing Extension Partnership.

With their help, we have benchmarked our operations with other injection molders across the country, utilized an energy audit which will substantially reduce our energy consumption, and I have personally been involved with the Plastics Council which offers assistance to MMTC in supporting the needs of small to medium sized manufacturers.

The assistance we got from Michigan Manufacturing Technology Center helped make these results possible. We are more aware of the actions we can take to stay competitive. Best of all, we now know that there are other companies and resources that we can work with, through the Michigan Manufacturing Technology Center.

To be frank, I can count on one hand the number of times anything connected to a federal program has helped my small company. This was decidedly one of those times. I thought you should know.

Sincerely,



Kevin Moore
General Manager

Mr. NORWOOD. Mr. Chairman.

Mr. OXLEY. The gentleman from Georgia.

Mr. NORWOOD. Point of personal privilege, just a question.

Mr. OXLEY. The gentleman is recognized.

Mr. NORWOOD. When documents are submitted for the record as if they are indeed actually factual, do they have to be signed by anyone? For example, Mr. Markey's letter has no stationery around it for us to indicate where it came from. It is not signed by anybody. It is just simply a typed form with a list of companies, and there is no indication at all who sent the letter or who actually wrote the letter.

Mr. OXLEY. The Chair would note that normally that would be a copy or an indication of a letter, that the actual letter should be the one that is submitted for the record, and staff will make certain that that is the case.

Mr. NORWOOD. That it has its letterhead on it and it has signatures on it.

Mr. OXLEY. That is correct.

Mr. NORWOOD. Thank you, Mr. Chairman.

Mr. OXLEY. We are honored today to have the Secretary of Commerce, the Honorable Ron Brown as our next witness.

Mr. Secretary, if you would come forward.

Welcome to a joint hearing of the Commerce Subcommittee as well as the Telecommunications and Finance Subcommittee.

We are happy to have you here. We apologize for the lateness of the hour.

As I indicated to our earlier members panel, this is the longest members panel I can remember, lasting almost 2 hours. And perhaps it shows the interest on both sides of the aisle on this issue. And we appreciate your patience before you have an opportunity to participate.

With that we welcome you, and you may begin.

**STATEMENT OF HON. RONALD H. BROWN, SECRETARY,
DEPARTMENT OF COMMERCE**

Secretary BROWN. Thank you very much, Mr. Chairman. I have looked forward to this opportunity. I have a lengthy submission which I would very much appreciate being made a part of the record.

Mr. OXLEY. Without objection.

Secretary BROWN. I would like to use this opportunity, Mr. Chairman, to be able to engage in some dialogue with the committee members, and to make some brief points about the Department and then to be available to respond to questions from members of the committee.

There has been a lot of hot rhetoric about this issue, and sometimes I have wondered whether the proposal to dismantle the Department is about saving money or if it is about government restructuring so that we can make government more effective. Or, if it is about trophy-hunting so someone can say oh, my goodness, we eliminated a department, and therefore I am worthy of some kind of immortality, or that in fact we have eliminated a department and we really have done something to help America's economic future. I don't think either is the case, I say with respect.

I must admit, Mr. Chairman, when I and many others first heard of these suggestions, we really didn't take them seriously. We didn't understand that anyone would be proposing that we would eliminate a department that is there for the purpose of creating jobs and economic growth. We didn't believe that someone would propose that we really make the United States of America the only country in the world where the private sector, the business community, does not have a seat at the Cabinet table.

This kind of incredulousness was expressed to me every place I have been around the country and, frankly, all over the world. Just as we have begun to get our act together, to compete effectively in this global economy, all of a sudden there are proposals to eliminate us. It seems clear now that these proposals are made seriously, by serious people, and that, Mr. Chairman, is the reason why I am so pleased to have a chance to discuss it with you and to debate them.

I think it is important, Mr. Chairman, to talk a little bit about what the Department does and why we do it. I have heard a lot of comments that indicate that there might not be a full understanding of what we do and how we do it and why we do it.

I have heard complaints and concerns that this is just some kind of hodgepodge with a lot of things just thrown in that does not fit together. That happens not to be true. I know that is prevailing wisdom, to some extent, but every single Agency of the Department, Mr. Chairman, is directed towards and is focused on creating an environment for economic growth and job creation for the American people. That is what we do.

There is a synergy which is important for America's economic future, particularly in this post-Cold War global economy in which we must compete and which I hope we continue to win to keep America's economy growing and providing economic opportunity for our people.

The fact is we are job creators. We create jobs and we create economic growth, we do it through exports. We all know there is a very simple equation, American exports equal American jobs. For every billion-dollar increase in exports, we create or support about 20,000 new jobs for the American people. But most importantly, Mr. Chairman, and members of the committee, we do it in partnership with the private sector.

It seems to me that kind of partnership is not only important but essential in the 1990's and beyond. It is a partnership which is created in a context in which we fully understand that the private sector leads.

We know it is the private sector that fuels the engine that pulls the train of economic growth and job creation in America. But we have a responsibility to help clear the track so the train can move smoothly and quickly toward its destination of economic growth and job creation. And we have many successes to refer to, successes in Saudi Arabia, successes in Brazil, successes in Indonesia—successes all over the world.

And these are not just made-up success stories. I would certainly urge members of the committee who have doubts to talk to the CEO's of those companies who have been involved. Ask them what kind of role we play in helping to obtain \$10 billion worth of con-

tracts for American companies in Saudi Arabia, principally aerospace and telecommunications companies; what kind of role we played in the C bomb project in Brazil; what kind of role we played in the mission energy project in Indonesia.

Not only from CEO's from large businesses but small and medium-size businesses alike.

The accomplishments of our trade missions are well-known. It does make a difference in this globalized economy, particularly in the developing world, Mr. Chairman, when the Secretary of Commerce of the United States gets off an aircraft and emblazoned on the fuselage of that aircraft are the words "United States of America," and the Secretary is accompanied by 25 or 30 CEO's of companies, large and small. Yes, Mr. Chairman, that makes a difference in this globalized economy.

When we step on that tarmac, it reverberates throughout the country and, yes, it makes a difference in the decisionmaking process. Yes, it helps level the playing field.

When I became Secretary of Commerce, I received instructions from President Clinton to try to make the Commerce Department a powerhouse as far as economic growth and job creation was concerned. I knew that I was tired of seeing the likes of President Mitterand and Chancellor Kohl and Prime Minister Major get on aircraft to fly to the distant corners of the earth to support the commercial interests of France and Germany and Great Britain and we as a Nation were doing very little of that. You cannot compete in this global economy and do very little of that. You have to be aggressive and you have to be proactive, and that is exactly what we have done.

We have a national export strategy. We have a plan; we have a strategy. We are implementing it and it has been working. That is why we are so troubled, now that we finally got it together, and we are finally doing those things that make sense to keep America competitive, that we are, in effect, the Department of the future, that there are some who want to see us move into obsolescence.

We have the Trade Promotion Coordinating Committee mandated by the Congress. We report to the Congress every year. I have heard a lot of people say none of these activities are coordinated or there is a lot of duplication. There is absolute coordination. I serve as Chairman of the Trade Promotion Coordinating Committee. It is working. It pulls the export promotion activities of the Federal Government together so the Eximbank, OPEC and TDA are working together as part of the same team, and it is making a difference in encouraging American exports. We set up an advocacy center in the Federal Government. I invite you to come over and see it. It looks like the trading floor of an investment bank where there are people with specific assignments tracking the hundred or so biggest opportunities for American business and industry around the world. Helping to assure that U.S. companies, and therefore American workers, participate in those contracts.

Why? Not for some ideological reason or for some philosophical reason, but because we are relentlessly pragmatic. We are about creating economic opportunity. We are about creating economic growth and jobs.

Our one-stop shop is another example that served the needs almost exclusively of small and medium-sized businesses. Why have we expanded those? Because we wanted to bring together Eximbank, SBA and Commerce into one location so small business people wouldn't be sent from pillar to post. Thus, allowing them the opportunity to be made aware of the kinds of things they can do in the export marketplace. These one-stop shops are working, and they are working very well.

We have been helping businesses and workers face the future of global competition. And this is a different world than it was 20 years ago, 10 years ago, 5 years ago, I would submit, Mr. Chairman, even 1 year ago. So we have to change the way we think. It is not good enough just to do the same old things we have been doing and doing it the same old way. We have got to do things in a new, different, dynamic, and creative way. That is exactly what we have been attempting to do.

I happen to believe, Mr. Chairman, that one of the most important things about our work is that we have created a confluence between trade and technology policy. Now, I know there are a lot of folks that have finally concluded that it makes sense to have Cabinet level representation for the American private sector, and they have talked about things such as the Department of Trade and that is worthy of discussion. I believe however that is much too limited in this global marketplace.

I believe that trade and technology go together. I think they mesh well together. I think it is important to have them operating together. If we are going to be a first rate economy in the 21st century, we have to pay attention to being first rate as far as technological innovation is concerned. That is one of the most important things the Department does and unfortunately one that would be eliminated under many of the proposals before the Congress.

As I sit here with you this afternoon, Mr. Chairman and members of the committee, I have got 550 people over at Georgetown University. I opened our conference today on our so-called BEM's, our Big Emerging Markets. We have representatives from all of those countries. We have 300 American business leaders in the room talking about how American businesses can take advantage of opportunities in these emerging markets. Markets which right now represent 25 percent of the world's GDP, and by the year 2005, are going to represent probably half of the world's GDP.

So we are looking beyond the horizon, trying to focus on what it takes to build our economic future. For example it is in sustainable fisheries. I have heard some people say, what does NOAA have to do with our economy? You try to tell a commercial fisherman that he is not involved in America's economy and he will throw you overboard. That fisherman is very much involved in America's economy. You tell America's agricultural interests or transportation interests that the National Weather Service isn't the key to their survival.

The fact is that these things do have to do with our economic future. They do have to do with how decisions are made. You tell businesspeople that the Census Bureau and the Bureau of Economic Analysis have nothing to do with our economy. A lot of the most important business decisions in America are made based on

the information and data which the Commerce Department provides.

Some folks say, what does the Patent and Trademark Office have to do with commerce? It has everything to do with commerce, particularly with telecommunications technology making gigantic advances. The protection of intellectual property rights is at the very center of our economic future. We provide business with voicing their needs in the highest councils of government and we happen to believe that that is important.

That is why we have heard so much from businesses, large and small. I have heard some say that business isn't supporting the Department. That isn't true. We have received over 1,300 letters in the last 3 weeks in support of the Department of Commerce—unsolicited letters, I might add, Mr. Chairman.

We believe in our work and we think that the America private sector agrees as well. We are advocates for America business and industry because we know that it is, in fact, the private sector that must lead.

And frankly, Mr. Chairman, the President believes in what we are doing, too. And that is why the President has authorized me to tell you today, in simple and direct terms, that he will veto any legislation that seeks to dismantle the Department of Commerce.

Do we think it is important, Mr. Chairman, to have an open and honest debate about how we can do our work better? Absolutely, we do. Do we need to be open to suggestions? Absolutely. Do we need to talk about how we are right sized? Absolutely. Do we need to be talking about how we need to be more frugal? Absolutely. And the President has a plan for that. It is his plan that would balance the budget in 10 years without some of these kinds of measures that have been proposed and that we are now considering.

Let me speak, if I might, just for a moment, Mr. Chairman, to some of the proposals that have been made in the legislation that the committee is considering today.

I have said, and I repeat, that enactment of this legislation would be tantamount to unilateral disarmament in a global marketplace. It doesn't make sense when we look to what it takes to keep America economically strong in the future, and we know that our national security is inextricably tied to our economic security. If that was ever clear before, it should be even more clear now.

I believe that the legislation that the committee is considering is at best penny wise and pound foolish. I am not even sure how penny wise it is. It dismantles and scatters our trade efforts and destroys the synergy that now exists. It really is a case where we finally got it right where we should be looking at consolidation to make it even better and instead we are looking at scattering these various functions from pillar to post.

It would end a half century of bipartisan support for technology. If there was ever a time when we need to be thinking about technology, it is now. And I know that there are some who say, well, we ought to just tell the American private sector they ought to go out and visit their nearest investment bank, they ought to see a venture capitalist. They say that government shouldn't be involved in this kind of activity.

There is no patient capital around anymore. Venture capital looks for privates that can produce a product in a year or 6 months, get it to market, and sell it. There is nothing wrong with that. A venture capitalist isn't interested in 5- and 10-year commercial technological development programs. Those are things that can only take place with a government-private sector partnership. That has been proven over time.

When we look at what our global competitors are doing, we are not even in the ball game yet. When you look at how they are supporting business and industry, how they are attempting to achieve technological superiority, and now we are talking about getting out of that business, it makes no sense.

There is some talk of eliminating the ATP program, the advanced technology program. ATP is 1 percent of our Federal R&D expenditures. That 1 percent is used to capture those projects that can create whole new sectors of our economy. But we are talking about doing away with it.

The problem is that this legislation attacks the most successful efforts of the Department, of the administration, of the Federal Government, and those most needed for global competitiveness.

I would argue, Mr. Chairman, it would hurt small companies. I have already talked about our export assistance centers. I haven't yet talked about our manufacturing technology centers which are very important. You can't be a first rate economy if you allow your manufacturing sector to go to seed. That trend is starting to reverse. The United States has been losing our manufacturing jobs over the last 25 or 26 years. That has now leveled out.

We think it is very important to put new technology in the hands of small and medium-sized business people, just as we did for agriculture at the beginning of the century. We didn't become the breadbasket of the world by accident. We became the breadbasket of the world because there was a real partnership between the Federal Government and our agricultural interests and farmers. Maybe it is time to review that.

The world has changed. There might be a time to review our present policies. But the time to get the Federal out of the civilian technologies certainly is not now. This is the time to be redoubling our efforts to make sure that we stay on the technological cutting edge.

There are proposals in this legislation to eliminate the Minority Business Development Agency. I think that is a terrible mistake. I think we ought to be sending a message to minority Americans that in fact they ought to participate in our economy, not just as workers, but as entrepreneurs as well. That is the role and job of MBDA, with a very small budget, but a budget that spends money effectively and that gets a new whole class of entrepreneurs that become role models for their communities.

These proposals would do such things as put export licensing in the State Department. I would love the committee to ask some businesspeople what they think about that and what the export licensing process would be like. We want to be competitive in the global economy. We want to encourage exports. Obviously, we want to be concerned about issues of proliferation and arms control. We also want to be concerned about how we build our economic future,

and I would submit, Mr. Chairman, that if you talk to business leaders, they will tell you where they would like export licensing. They would tell you how we have refined and streamlined the export licensing system and how we have improved the process dramatically over the last 2½ years.

This legislation would wipe out our whole telecommunications policy effort at a time when telecommunications is becoming more and more important. One of the things that NTIA does is control the spectrum. You couldn't possibly want to turn that over to an independent agency to control the spectrum that is the property of all the American people.

You must have telecommunications technology policy capability when you have this tremendous explosion in telecommunications. We are building a national information infrastructure. We are trying to make sure that we don't create a society of information "haves and have-nots." I don't know how you can do that effectively without some unit of government somewhere to do that work. I would argue that it belongs in the Commerce Department.

There is much at stake. There are a lot of ways to go about the realities that we face in 1995. I am not a status quo Secretary of Commerce. I believe in change. The President believes in change. The Vice President believes in change and reinvention. We have spent a lot of time on the issue of reinvention: How do we do things better? How do we do more with less? How do we reduce the Federal payroll? It will be, at the end of this year, the lowest it has been since the Presidency of John Kennedy. That is progress. So we do believe in belt tightening.

The House Appropriations Committee is going about it in a different way. They voted out just last week an appropriations bill. I am not happy with it, but I am certainly very pleased with the leadership that Chairman Livingston and Chairman Rogers showed in trying to be analytical, not a meat ax. You don't just go across the board with a 20 or 25 percent cut everywhere. You make choices. You establish priorities. That is what the appropriators did. They went through that with great diligence, and, again, I am displeased at some programs that I think are good programs that were eliminated, but at least there was a thoughtful process to deal with these very complex issues.

The fact is, Mr. Chairman, that transferring functions does not save money. Box shuffling doesn't make government work better. I would submit it makes it work less well because it makes it much more difficult for us to coordinate our efforts. And savings that result, even if they are small savings, I believe can hurt our economy.

I think the things that we ought to be funding at the Federal level are things that really attract private sector capital, things that really spur economic growth and spur job creation.

Our Manufacturing Technology Centers leverage 8 to 1. That is a pretty good expenditure of Federal dollars. We have taken a budget for the International Trade Administration of \$260 million a year and we have brought home the bacon to the tune of about \$50 billion in the last 18 months. That is leveraging Federal dollars. That is creating jobs for American workers.

I have indicated, Mr. Chairman, that I look forward to this hearing, I look forward to having a dialogue with Members of Congress who I know are proceeding in good faith and with whom I would like to engage to discuss these issues, figure out how we do our work better. But do it in a thoughtful way.

Just saying we eliminated something is not necessarily good for the American people. That is saying something different than saving money. It is saying something different than downsizing and that is why I mentioned what the appropriators have done. They saved a lot of money but they haven't done it just through massive elimination. It might sound good to say I have eliminated something, but does it make sense for America's economic future?

I would argue very respectfully, Mr. Chairman, and members of the committee, that these proposals don't make sense for America's economic future, and I look forward to engaging in dialogue with members of the committee on that subject.

Thank you very much, Mr. Chairman.

[The prepared statement of Secretary Ronald H. Brown follows:]

PREPARED STATEMENT OF RONALD H. BROWN, SECRETARY OF COMMERCE

Mr. Chairmen, Members of the Subcommittees, I appreciate the opportunity to appear before you today. I want you to know that I come before these subcommittees today with an open mind about how the work and the structure of the Commerce Department can be improved. I know you have given this subject much thought, and I genuinely look forward to discussing these matters with you.

But on the underlying question of whether the United States of America needs a Commerce Department—on this issue I cannot yield. I say this not because I am the Secretary of Commerce, and so have an allegiance to the institution that requires me to defend it. Rather, I am committed to the survival of the U.S. Department of Commerce because I believe passionately that the work of this Department, and the manner in which its various components relate to one another, is essential to the economic growth and well-being of this country. The issue for me is not whether, in these times of fiscal austerity, we can afford the U.S. Department of Commerce—the issue is whether we can afford to be without it. Today's Commerce Department works to create jobs and enhance economic opportunity for the American people. Commerce works to represent American business interests at the highest levels of government, including at the Cabinet table. Commerce works to level the playing field and to provide the tools that American companies, workers, and communities need to remain competitive in the global economy.

Frankly, I am a little disheartened that the need to have a U.S. Department of Commerce is not obvious to each member of Congress. Clearly this is not the case, because you have asked me to comment on a proposal that eliminates the Commerce Department—a proposal that, in my view, terribly weakens this country in its battle to remain strong and competitive in the global marketplace. My testimony will not dwell, however, on the details of H.R. 1756, because I believe its deficiencies are self-evident. Rather, if we are going to engage in a conversation about how best to organize the work of the Department, it is critical that you understand exactly what Commerce does and how we are reinventing ourselves in order to see the implications of its elimination. Indeed, Commerce programs are essential for the long-term health of the economy and are an investment in the future.

This morning I will provide you with concrete examples of just how successful the Department of Commerce has been, from international trade in South Africa and Saudi Arabia, to technology development and deployment in California and Connecticut, to helping preserve the viability of the U.S. semiconductor industry in the face of an unfair foreign onslaught, to fishery conservation in Oregon and Maine. It is a solid record of achievement. Most significantly—and this point is critical—it is a record of achievement that could not have been accomplished but for the unique and effective configuration of today's Commerce Department.

COMMERCE AT WORK

As the President recently stated, this Department helps the private sector face the trends that affect the world's economy. Markets are becoming increasingly glob-

al. Competition is fierce and relentless. Technology—one of the principal drivers of sustained economic growth—is constantly changing, knowing neither predetermined home nor boundaries. The ability of smaller companies to enter export markets and develop and adopt innovations is increasingly vital. In such an environment, the American economy depends in large part on our companies' abilities to innovate, and to survive and to prosper in new markets abroad and against foreign competition at home.

That is why the President has put forward a national economic strategy—with Commerce at center stage—which includes concrete tools to enhance investment, to open markets and to promote exports, to encourage innovation, and to educate and to train our people. And the President's recent budget reaffirms the importance he places not only on balancing the Federal budget in a way that enhances sustainable economic growth, but also on maintaining investments in education and training, and, most relevant to this hearing, on stimulating investment, opening markets and promoting innovation. In fact, Commerce programs help the U.S. economy more fully realize its growth potential, thus contributing to incomes and tax revenues that finance these public expenditures.

The Department of Commerce's emphasis on boosting U.S. exports and stimulating technological innovation recognizes that open markets and technology are critical to our Nation's ability to compete. In both areas, the United States must have in place policies and programs that work to level the playing field for American businesses and workers. It is important to remember that compared with our major trading partners, the United States ranks dead last in expenditures for export promotion relative to the size of our economy. It is important to remember that compared with Japan and Germany, the United States spends less on non-defense R&D as a percentage of GDP. It is important to remember that our trading partners have taken seriously the need for public-private partnerships that promote economic competitiveness.

For too long, U.S. companies were shut out of lucrative foreign markets or repeatedly lost bids for international contracts, while foreign governments aggressively promoted the interests of their firms abroad. Smaller manufacturers in the United States, unable to modernize quickly enough and meet payroll, laid off workers and closed their plants in the face of fierce and relentless competition. And report after report told us that the United States was losing ground in virtually every area of high technology—from automobiles to semiconductors—as the Federal government stood idly by.

This Department of Commerce has instituted the programs and policies that mean cutting-edge, competitive, better paying jobs. We work everyday to boost exports, to deregulate business, to help smaller manufacturers battle foreign competition, to advance the technologies critical to our future prosperity, to invest in our communities, and to fuse economic and environmental goals.

With the smallest budget of any Cabinet department, the Commerce Department has, nonetheless, posted a solid record of achievement. We are American business' surest ally in job creation, serving as a vital resource base, a tireless advocate and a Cabinet-level voice for the private sector.

While the Department's reach is wide, do not confuse its breadth with a lack of focus. All of our activities have a central focus: creating jobs and promoting the long-term competitiveness of the Nation's economy. To that end, all of the bureaus of the Department aim to contribute to the five cross-cutting Departmental themes of promoting export growth, advancing civilian technology, promoting environmental stewardship, promoting economic development, and providing the necessary supporting economic information and analysis.

- *Export Growth:* Over the last seven years, U.S. exports of goods and services accounted for over one-third of U.S. economic growth and export-related jobs grew six times faster than total employment. The Department of Commerce has the primary responsibility to advocate for U.S. exports and international economic affairs. The Department of Commerce has staff devoted solely to helping U.S. companies increase their exports.

We devote over 80 percent of our trade promotion resources to small- and medium-sized businesses. That translates into answering more than 2,300 faxes and calls at the Trade Information Center and other Commerce offices every day. Anyone can walk into or call one of our 73 domestic offices, including six "one-stop" export assistance centers co-located with the Small Business Administration and the Export-Import Bank. In 1994 alone, Commerce generated 4,000 export success stories with small- and medium-sized companies. By any measure, Commerce works to boost exports and create jobs. For example,

—I have led Presidential Trade Missions to Russia, China, India, South America, South Africa, and other booming export markets. In 1994 alone, our advocacy

- helped produce some \$45 billion of foreign business deals, with \$20 billion in U.S. content, supporting over 300,000 person years of employment in America.
- For the first time, we have energized the Trade Promotion Coordinating Committee under Commerce's chairmanship and brought under one umbrella all Federal export promotion efforts. We have enhanced trade finance services, improved the delivery of trade information, identified new markets with high growth potential, and provided high-level advocacy for American business.
 - We helped Polaroid Corporation by working with the Indian Government to lower India's 50% tariff on imports on instant print film—the tariff was lowered by more than half.
 - We helped GE Corp. (in a consortium with Black and Veatch) win a contract to build a power generation plant in Malaysia. According to the company, the \$250 million project supports 2,700 jobs for GE and its suppliers.
 - We helped NYNEX win a complex bid to install a global telecommunications system known as FLAG (the Fiberoptic Link Around the Globe) which, when complete, will be the longest undersea telecom cable, running from Japan to the United Kingdom. The project's value has been estimated at \$1.4 billion with \$900 million in U.S. content, supporting 10,000 U.S. jobs.
 - We have eliminated obsolete and inefficient controls and streamlined the export control process, without jeopardizing national security, freeing up \$32 billion in exports.
 - We have developed a new comprehensive export license review system that permits greater interagency participation in return for firm time limits and a disciplined dispute settlement process.
 - We have worked with our trading partners to implement market-opening initiatives, such as NAFTA and the GATT. We supported USTR in the Japanese auto talks aimed at creating opportunities for American firms and workers.
 - We are actively enforcing laws against unfair trade practices to provide firms injured by imports with the relief to which they are entitled. The unfair trade laws complement our market opening efforts overseas, by ensuring a level playing field at home, while pursuing long-term solutions abroad.
 - We conduct over 41,000 domestic counseling services for smaller companies each year, facilitating more than \$4 billion in exports by smaller businesses. For example:

- * Commerce helped Aquatics Unlimited of California win a five-year, \$10 million contract to clean up Indonesian canals. This boosted the company's employment from 20 to 50.

- * We helped Calmaquip Engineering Corp. (small and minority owned) win a \$7 million contract to supply medical equipment and services to a university hospital in Turkey.

To eliminate these successful trade promotion efforts or move the Bureau of Export Administration from the Department of Commerce to somewhere else in the government would relegate U.S. companies of all sizes once again to second-place status in international competition. The potential economic gains from retaining Commerce far exceed the Federal investment in the Department. And the commercial stakes are sky-high. By the year 2010, for example, world imports of our trading partners are expected to increase in real terms, by more than \$2 trillion over today's level. Infrastructure development projects alone are estimated to be at least \$1 trillion in Asia by the year 2000 and to approach \$500 billion in Latin America over the next decade.

The Clinton Administration believes U.S. companies should have every opportunity to win these contracts. But, without strong support from the U.S. government, the international playing field will continue to be tilted against U.S. firms—and U.S. workers.

- *Civilian Technology*: Innovation is also critical to economic growth and job creation. It is estimated that at least 50 percent of the Nation's growth over the last 50 years is related to the development and use of technology. And the jobs that growth produces are exactly the ones we want to create. The average annual compensation in the high-technology sector exceeds the average for all manufacturing by 20 percent. For the last five decades, the Government invested in science and technology in defense of the Nation and in pursuit of national goals related to health, space and the quest for knowledge.

Times and technology have changed. We face stiff international competition in one field after another. Cycle times—the time from innovation to product—have shortened in most industries. We can no longer hope that a technological breakthrough spurred by a national security need will be first to market.

And, R&D trends are still a concern. In the United States, public and private sector investment in R&D has been anemic for more than a decade, declining from an

annual growth rate of 4 percent from the 1980's to 1.5 percent for the first three years of the 1990's. To meet fierce and relentless foreign competition and stockholder expectations, many U.S. companies have front-loaded R&D investments, choosing to pursue short-term goals and commercialize products more quickly. Today, U.S. companies invest less than 5 percent of their R&D in long-term, risky projects, creating a gap between federally funded basic research and private sector product development. Moreover, since 1992, companies like AT&T, General Electric, IBM, Kodak, Texaco, and Xerox—world renowned for their investment in long-term R&D—have dramatically reduced their R&D spending.

Meanwhile, international pressures keep rising. *The Wall Street Journal* reports that major high-technology companies overseas increased R&D spending 23 percent from 1988 to 1993, while U.S. funding remained flat. For years our competitors have consistently invested a higher percentage of their resources in non-defense R&D than the United States, with Japan investing 35 percent more than we do on a per capita basis and Germany investing 30 percent more. In addition, emerging economic powers—China, India, Taiwan, Singapore, South Korea—have been aggressively promoting investment in R&D and deployment of technology. China, for example, earlier this year announced that it will increase publicly supported R&D by nearly 1 percent of GDP by the year 2000. This year the United States ranks 28th in the world in the percentage of public R&D funding dedicated to civilian research behind every industrialized nation and just ahead of the Czech Republic.

And, lack of adequate investment in R&D is taking its toll on America. Based on OECD designations, the United States trade balance in "high tech" manufacturing industries has steadily eroded for the past 15 years and been negative for a decade. Our trade surplus in "Advanced Technology Products"—which includes advanced materials, biotechnology, aerospace, electronics, flexible manufacturing, information and communications, and opto-electronics—has eroded by more than 20 percent between 1990 and 1993. By one measure, the U.S. erosion of market share in electronics has meant about \$100 billion in lost sales between 1985 and 1989 alone. Likewise, the U.S. share of world markets for aerospace products declined from a high of 79 percent in 1970 to 62 percent in 1988. At today's operating rates, this is equivalent to about 300,000 lost American jobs.

To face these challenges, Commerce has instituted a different model, one which focuses explicitly on civilian industrial technology and better connects the Federal basic research mission to real-world private sector commercialization—one in which public-private partnerships spur private sector investment in high-risk, long-term innovations and get technologies into the hands of America's small- and medium-sized manufacturers. The results speak for themselves:

- The Department of Commerce is funding 42 manufacturing centers in 32 states through its Manufacturing Extension Partnership (MEP). These centers are helping the Nation's 381,000 smaller manufacturers battle foreign competition by adopting modern technologies and production techniques. In 1994, the centers' staff made more than 10,000 site visits to smaller companies, during which they assessed company operations and recommended ways to improve efficiency. Survey data of companies served by the MEP indicate an 8-to-1 payoff on Federal investment in terms of increased productivity, better paying jobs, and enhanced competitiveness.
- The Advanced Technology Program (ATP) helps fill the gap between basic and mission-oriented R&D—which accounts for the great majority of the U.S. Government's R&D spending—and short-term commercial research, which accounts for almost all of the private-sector spending. The ATP provides cost-shared awards to companies and consortia for competitively selected projects to develop high-risk, enabling technologies—not products—that have huge economic potential but whose prospects are too uncertain to attract investment capital and whose benefits disperse too widely to permit a single firm to capture the resulting economic benefit. The early results of an analysis of ATP awards to date finds important new technical capabilities, creation of new jobs, new commercial opportunities—and some early growth—for U.S. firms and our technology base. Although the major benefits of the ATP will take years to realize, preliminary data from 34 small firms indicate that over 90 percent expect to add new employees within 5 years; of these half expect to add more than 25 employees.
- The National Telecommunications and Information Administration, consulting closely with the private sector, has taken a strong leadership role within the Administration on all issues involved in advancing the national information infrastructure (NII) and the global information infrastructure (GII). NTIA has worked with the private sector to set forth blueprints for the NII and GII and implemented a grant program to demonstrate the potential of the NII in local communities across the Nation, focusing on applications in the areas of edu-

cation, medicine, and community networks. NTIA also developed a plan for release of 235 MHz of Federal radio spectrum to the Federal Communications Commission (FCC) for assignment to the private sector, which is expected to spawn a new generation of wireless telecommunications and information services. NTIA also was instrumental in developing the policy under which the FCC auctioned radio spectrum licenses, yielding close to \$9 billion for the Treasury.

—Strong intellectual property protection enables American inventors to gain the full benefits of their creations, stimulates more innovation, and protects businesses and consumers from unfair trade practices. The Department plays a central role in the Administration's efforts to provide better protection of intellectual property, particularly in the international arena, such as enforcement of bilateral, regional and global agreements, as well as U.S. trade law.

- *Sustainable Development:* In recognition that economic growth must go hand-in-hand with environmental stewardship, the Commerce Department and its National Oceanic and Atmospheric Administration conduct programs designed to provide a better understanding of the connections between environmental health, economics, and national security. Commerce's emphasis on "Sustainable Fisheries," including particular emphasis on emergency situations in the Northeast and Pacific Northwest, is saving fisheries and confronting short-term economic dislocation, while boosting long-term economic growth. The Department of Commerce is where business and environmental interests intersect, and the classic debate on the use of natural resources transformed into a "win-win" situation for the environment and the economy:

—Commerce's activities help create sustainable economic opportunity in the multi-billion-dollar marine-fisheries industry. NOAA funding of New England fishermen, for example, has helped them establish an aquaculture cooperative that cultivates nori seaweed as a cash crop, resulting in \$30 million in annual exports.

—Commerce protects life and property and helps to predict and ameliorate man-made causes of longer-term climate change by improving environmental monitoring, prediction and assessment. NOAA weather research and monitoring has resulted in improvements that enhance the accuracy of hurricane track models. These models have reduced the size of the warning area, resulting in savings of \$1 million for each mile of coastline that is not needlessly evacuated.

—By promoting the development of environmental technologies, Commerce creates high-quality jobs, builds the national civilian technology base, and provides the world with tools to protect the environment. For example, Hewlett-Packard and Riverside Technology, Inc., have won contracts to furnish the hardware—based on technology development funded by NOAA—needed to operate the Water Resources Forecasting System in China.

—NOAA's ocean and coastal management efforts have resulted in the development of estuarine research reserves, national marine sanctuaries and federally approved state coastal management programs. These management efforts successfully balance competing needs of resource protection and economic development. Further, these efforts create appropriate Federal-state partnerships in ocean and coastal management.

—Commerce improves understanding of the environment and the influence of human activities on the environment so as to make cost-effective decisions that are in keeping with sustainable development. For example, NOAA research is pointing towards more effective approaches to lowering the levels of surface-level atmospheric ozone in some areas of the country. This chemical's presence in the lower atmosphere adversely affects human health, crop productivity, and forest health. This new understanding can save billions of dollars in the commercial sector from misdirected regulatory actions. Additional large economic gains would result from the effective reduction of ozone's impacts on health, agriculture, and forestry.

- *Economic Development:* Because economic opportunity is not evenly dispersed to all communities and because of the dynamic nature of our economy, the Commerce Department includes programs to help areas respond to conditions of economic deterioration and dislocation. Under the Department's economic development programs, we help communities build the capacity to plan and implement economic development strategies needed to respond to problems and to restore their job bases. The Economic Development Administration (EDA) provides grants to help communities fund the infrastructure improvements needed to support development. We have been particularly active in helping communities respond to problems caused by the downsizing of the defense industry. With 70 major military facilities selected for closure or realignment in the first two rounds and an additional 49 major facilities recommended by the Defense Base Realignment and Closure Commission for closure

or realignment in the 1995 round, the need for this assistance will continue to grow. Through the Minority Business Development Agency (MBDA), Commerce helps increase the participation of minority businesses in the various sectors of the economy, thereby helping them increase employment in their communities.

—In St. Louis, which was among the first communities to be affected by defense cutbacks, EDA worked with local governments to support business needs, including manufacturing extension, export assistance, and business financing assistance. Additional funding was provided to support a revolving loan fund which has made loans totaling \$770,000 to defense-injured businesses and leveraged an additional \$1.2 million in private investment, and created nearly 200 new jobs.

—In Buffalo and Erie County, New York, which have suffered significant economic deterioration, EDA supported a revolving loan fund which in part targets startups. Over \$42 million in direct loans have been made including over 200 loans to 182 companies, creating more than 4,700 jobs in the two communities.

—In Los Angeles, the Minority Business Development Agency reports \$1.1 billion in minority business enterprise contract and procurement awards, resulting in 21,000 jobs in the greater Los Angeles area.

• *Economic Information and Analysis:* The ability of decisionmakers in both the private sector and the Government to promote economic opportunity and growth depends on the quality of the data available. The Census Bureau and the Bureau of Economic Analysis generate economic data on the gross domestic product, international trade, the population, retail sales, housing starts and demographic shifts that are critical to business' ability to measure economic performance and make sound investments. By providing complete and accurate economic and demographic information and analysis as the foundation for improved public and private decisions, Commerce helps create the tools for U.S. businesses, workers, and communities to prosper in an increasingly integrated world economy.

—A Bakersfield CA company, ASU and Associates, that locates sites for commercial and retail operations, particularly supermarket sites in areas that are not served or under-served, recently used a wide variety of the Census Bureau's demographic data to analyze and recommend three supermarket sites in areas that previously had none. When built, the new stores will create local employment and reduce the miles local residents have to travel to shop.

—For the past 20 years, McDonald's has relied on demographic data and maps from the decennial census to perform market analyses and determine site locations for new restaurants. McDonald's also uses Census' TIGER Line files (digital map database files) to merge their own proprietary information with detailed social and economic data from the decennial census for use in corporate planning.

—BEA's information is available to business through news releases, its monthly Survey of Current Business, CD-ROMS, tapes, diskettes, and through ESA's STAT-USA products. STAT-USA runs the Economic Bulletin Board, a ten-year-old on-line service for current economic, business and trade information. Nearly 4,000 customers subscribe to the service, including businesses of all sizes. STAT-USA also runs the government's business and economic node on the information superhighway. STAT-USA has almost 1,500 Internet subscribers and has logged over 1.2 million inquiries in the last six months. STAT-USA also produces the National Trade Data Bank on CD-ROM, purchased by 6,000 customers and available through libraries and DOC field offices to other businesses.

In today's global economy, economic competitiveness is seamless: trade policy opens opportunities for high-technology companies; technological proficiency is the base for continued economic development; and economic development will often turn on the wise use of environmental resources and responses to change. The Department of Commerce is where these connections are made. We focus on economic growth. And we work better because we are confronted daily by the intersection of trade, technology, economic development, sustainable development, and economic analysis.

REINVENTION AT COMMERCE

The Commerce Department is also reinventing itself. We have made bold and dramatic changes, never being satisfied with the status quo. Over the past two and one-half years we have emphasized, initiated, and expanded programs that work in partnership with the American people to secure the Nation's economic future. At the same time we have downsized, cut regulations, closed offices and eliminated programs and jobs that are not part of our core mission. The bottom line is that, after

much thought and debate, we have already made many hard choices needed to make this Department "state of the art."

I would like to make one point clear. Reinvention at the Department of Commerce has not only meant cutting or improving existing services. It has also meant purposeful growth, particularly in the areas of trade and technology.

Some people would treat reinvention as if each department were an entity unto itself, isolated from its place as part of the Federal Government—almost as if each department were a separate corporation. I believe a more useful way of looking at reinvention is to compare the entire Federal government to a major corporation, and view the Department of Commerce as a critical function within that corporation. A company going through a reinvention process may shed jobs and functions, but it will also expand and enhance operations that are vital to its long-term growth. It is certainly going to build on partnerships with its customers that work. We believe expansion of essential programs at Commerce is vital to economic growth.

The benefits that spring from reinvention at the Department of Commerce are easily observed. You can see it in the small firms helped by our export promotion and technology programs, and you can see it in businesses' use of economic statistics and the Weather Service information. Of course we are always striving to improve what we do. That is why we are reviewing all our activities as part of "Phase II" of the Administration's Reinventing Government efforts.

- *Partnerships That Satisfy Our Customers Needs:* We have instituted or continued partnerships with the private sector that make America stronger because they serve clearly defined private sector needs. More importantly, to ensure their success, they have been designed, built-upon, or reinvented to be customer-focused, responsive, efficient, effective, and accountable to the American people. They are, in essence, the right programs designed to work the right way. For example:

- The Advanced Technology Program makes awards to innovative companies—regardless of size—that are not competitive for private sector financing based on the high-risk, long-term R&D they are pursuing despite its broad-based economic potential. ATP awards are merit-based, competitive, industry-led, and cost-shared to ensure impartiality. The ATP has focused its funding on promising technologies based on industry input, including over 900 "white papers" submitted by industrial firms.

- The Manufacturing Extension Partnership works with states to establish or expand services designed to assist small- and medium-sized manufacturers. Services supported with Federal dollars and matched by states are provided through non-profit manufacturing extension centers. All centers are chosen and funded through a rigorous, merit-based competition. Emphasis is on a grassroots service delivery, facilitated by a small Commerce staff of fewer than 60 people.

- We have opened an Advocacy Center at Commerce to coordinate and lead an Advocacy Network for the 19 members of the Trade Promotion Coordinating Committee (TPCC) and to provide a single point of contact for the private sector. The diverse mandates of TPCC agencies enable them to provide the services U.S. businesses need to compete effectively for foreign contracts. As noted earlier, our advocacy efforts have already produced results.

- We have created "one-stop" U.S. Export Assistance Centers (EACs) that provide a more rational and integrated service delivery network for America's small- and medium-sized exporters. Through co-location of Commerce's U.S. and Foreign Commercial Service, the Export-Import Bank, and the Small Business Administration and in cooperation with public and private export service partners, the EACs provide counseling and services in export marketing and trade finance that American exporters need to compete.

And, while some critics have called Commerce bloated and bureaucratic, our customers differ. In fact, the Commerce Department is the first, and only, department to conduct a comprehensive survey of over 22,000 customers. This survey reveals that Commerce's customers have an *overall satisfaction rate with our products and services of more than 90 percent*. Without a doubt, our restructuring efforts have increased customer satisfaction and delivered results.

- *Downsizing and Streamlining at Commerce:* Commerce is successful because we have focused intensely on programs and policies that support our core mission.

We have also eliminated activities that do not support that mission. To date, we have taken the following steps to downsize and streamline:

- *Work Force Reductions:* Initiated plans to reduce the work force by 17 percent over the next five years, having already eliminated 1,350 positions. Eliminating an unnecessary layer of management between employees and the Secretary by the end of 1996. Implemented plans to halve the ratio of managers to workers at the National Oceanic and Atmospheric Administration (NOAA) from 1:6 to 1:12 by 1999. Re-engineering the way we conduct the decennial census, with anticipated savings

of \$1 billion and 200,000 fewer temporary census employees when compared to 1990.

Office Closings: Proposing to reduce the number of weather stations across the Nation by nearly 50 percent with the implementation of weather service modernization. Closed regional offices of the Bureau of Export Administration in Oregon and New Hampshire. Closed the Washington, D.C. regional office of the Minority Business Development Agency.

Reduced Regulatory Burden: Changed controls on computers and telecommunications equipment, eliminating requirements for prior approval on over \$32 billion worth of exports, and proposed the first complete rewrite of the export control regulations in 45 years, which makes compliance easier, particularly for small firms. Reduced grants processing time within the Department by 25 percent. Simplified forms, encouraged electronic filing, and coordinated data sharing with other statistical agencies to reduce respondent burdens, saving the private sector hundreds on thousands of dollars in time and money. Preparing to delete almost two-thirds of the Economic Development Administration's regulations. Identified and instituted plans to consolidate, eliminate, or repeal obsolete and redundant NOAA regulations that will reduce the NOAA regulations by nearly half.

Privatized Operations: Proposing in FY 1996 to turn over to the private sector specialized weather forecast programs. These are the agricultural weather, fire weather (non-Federal, non-wildfire), fruit frost and marine radio facsimile programs. Privatized management of over 20 overseas trade fairs, with plans to expand this effort to include other events, such as the Paris Air Show. Developed a plan which will build new partnerships with the private sector and the university community to help meet NOAA's fleet requirements through a mix of charters and lease-build arrangements. Proposing to create government-owned corporations or to move to more business-like structures for portions of the operations of the Patent and Trademark Office and the National Technical Information Service and potentially other Commerce units. Preparing to select a respected private organization to continue publishing the Bureau of Economic Analysis' Cyclical Indicator Series (the leading economic indicators), potentially freeing up \$400,000 annually to fund pressing priorities within the Economics and Statistics Administration, especially those identified by BEA's recently completed Mid-Decade Strategic Review of Economic Accounts.

Our reinvention process has been a rigorous one—and is continuing—but already it has shown dramatic results. Of course, we would like to build on our successes, using information and feedback, like the Commerce Customer Satisfaction Survey, to continue to improve the way we work to enhance and ensure economic opportunity for the American people.

LEGISLATIVE PROPOSALS TO RESTRUCTURE COMMERCE FUNCTIONS

Despite manifest evidence that Commerce works and is getting better, some have proposed to dismantle the Department. Before embarking upon such a course of action, we must be sure that the result of such a radical re-structuring of Government functions is a better, more responsive Government that meets the real needs of the people. The two proposals pending before Congress, H.R. 1756 and S. 929, fail that test. To the contrary, they terminate many essential functions and dilute others through dispersal to disparate agencies, saving no money but causing confusion and inefficiency.

These proposals recklessly abolish EDA, NTIA, USTTA, and MBDA. They eliminate the commercial perspective to export control matters by sending the functions to the Treasury Department and to the State Department (H.R. 1756) or Defense (S. 929). They terminate the critical Advanced Technology Program and Manufacturing Extension Partnership and the Technology Administration. They propose to privatize critical NIST laboratory and standards functions. They would break up our winning team at ITA, eliminating essential international economic policy, trade development, and domestic field export promotion functions, while placing other parts at USTR, Treasury, and the International Trade Commission. They would transfer management of spectrum used for national defense and national security purposes to the FCC, an independent, regulatory agency. They would decimate NOAA's environmental stewardship by scattering functions among the Departments of the Interior, Transportation, Agriculture and Defense, and by eliminating important research and fishery programs. And they would jeopardize economic information by dispersing Commerce's statistical agencies across the Government, thereby jeopardizing the quality and integrity of the economic data and analysis that American businesses and policymakers rely on to make vital decisions about the future. The

bills then eviscerate the entire range of transferred functions by subjecting them to an indiscriminate across-the-board 25 percent cut.

It would take too long to provide you a detailed rebuttal on each of the various "dispositions" of Commerce Department functions that would be made by the proposals. I have attached to the testimony a summary of our objections to some of the major provisions. But I believe it is important to understand a few specific reasons why we oppose these bills:

- They would eliminate business' voice at the Cabinet table. Only the Department of Commerce has the primary responsibility to advocate for U.S. exports and international economic affairs, representing U.S. business' interests before foreign governments and at the Cabinet table. Every other one of our major trading partners has its counterpart to the Secretary, including Japan's Minister of International Trade and Industry and Germany's Minister of Economics. Their sole purpose is to enhance their own nation's economic interests in the global market place. Without a Cabinet-level Department of Commerce, the voice of U.S. business would certainly be lower, if not lost.
- They would eliminate trade advocacy. The Department of Commerce leads our advocacy for U.S. firms through a unified National Export Strategy. As I stated earlier, compared to our major trading partners, the U.S. ranks dead last in expenditures for export promotion in relation to the size of our economy. For years, leaders of other nations have been aggressively promoting exports. To eliminate this function would relegate U.S. companies once again to fend for themselves in the face of fierce competition from foreign public-private partnerships.
- They would transfer export licensing to the State Department (or to Defense in S. 929) and transfer export enforcement to functions to the Treasury. As a part of the Commerce Department, BXA is uniquely situated to administer, from an economic and commercial point of view, export control programs that have a significant impact on U.S. industry. Because other departments have different missions and objectives, no other is as well positioned to balance fairly the various concerns of commercial need, national security and foreign policy when making licensing decisions. Moreover, licensing and enforcement responsibilities should not be split. Each function benefits from its links to the other. Only BXA has the enforcement capability specifically dedicated to export control and anti-boycott enforcement.
- They would roll back the gains we have made in civilian technology and inappropriately rest telecommunications and information policy matters in the FCC, an independent agency. Our biggest competitiveness challenges lie ahead. Only the Department of Commerce has the primary mission of partnering with industry to help advance high-risk R&D with potential long-term economic pay-offs and get technology into the hands of the businesses and workers that need it most. As the Council on Competitiveness recently stated: "We must not confuse short-term cyclical improvement with the resolution of long-term problems." This Nation must continue to reverse our R&D trends. For more than a decade we have invested less than our competitors in civilian R&D. While U.S. companies have made remarkable progress in several technologies critical to our future, we cannot afford to go back to the 1980's, when the U.S. position in many economically vital areas was weak or lost to foreign competition. And with the telecommunications and information sector constituting the world's largest economic sector—over \$590 billion in annual revenues—it is no time to eliminate the Cabinet voice for telecommunications policy. Given the sensitive nature of a number of spectrum management and other telecommunications issues, we cannot afford placing this function in an independent agency.
- They would hurt small companies. The Department of Commerce is focused on helping smaller U.S. companies increase their exports and manufacturing ability to remain globally competitive. No one has felt the effects of fierce international competition more than smaller U.S. manufacturers. They are struggling to maintain domestic markets while imports have more than doubled since 1980. They are fighting to establish a foothold in lucrative international markets, but lack the resources for extensive market research and technical assistance. They are trying to modernize their plants and equipment and still meet the payroll. That is why the Commerce Department has focused a vast majority of our trade promotion resources on smaller companies—facilitating more than \$4 billion in exports—and helped to establish a nationwide network of manufacturing centers able to bring technology to the Nation's 381,000 smaller manufacturers.
- They would uncouple the important link between economic decisions and environmental stewardship. With NOAA, the Department of Commerce is the only Fed-

eral Department that integrates economic, environment, technology, and information in a context of a mission of economic growth. No other agency working in the natural environment has NOAA's unique capabilities to measure, monitor, manage and gain understanding of our atmospheric and marine systems. These capabilities are vital to the ecological and economic health of the Nation. NOAA integrates these capabilities to provide services to the public and promote sustainable development. These bills would destroy the synergy among NOAA's services as well as the critical linkage between the economy and the environment.

Clearly, dispersing the functions of the Commerce Department among a number of agencies makes no sense economically or programmatically. These proposals to dismantle the Commerce Department are based on a fundamental misunderstanding of what we are about and an abject disregard for the strategies of our global competitors. They would punish the economy and American workers and help our competitors. They indiscriminately slash essential functions and splinter an effective investment in the economy now underway. They silence the private sector's voice in the Cabinet.

Commerce programs are not expendable. They are U.S. government's most powerful weapon in the age of economic conflict, and their elimination or movement would deprive the business community and America's working families of the clout, the critical cooperation, and the support needed to create the jobs of the future.

Just recently, President Cardoso of Brazil informed President Clinton that his government had signed a \$1.4 billion contract with a consortium led by the Raytheon Company for the construction of the Amazon Surveillance System. This announcement is a clear victory, not just for Raytheon and its many American subcontractors and thousands of workers, but also for the President's National Export Strategy of which Commerce's advocacy and business development missions are a vital part. This contract will result in an estimated \$700 million in U.S. exports. And even better, Raytheon expects it to create or sustain 20,000 jobs. Over the next seven years, Raytheon expects to hire several dozen small- and medium-sized subcontractors, in as many as 20 states, including, Alabama, New York, Maryland, Texas, Kansas, California, New Jersey, Delaware, North Carolina, Florida, Georgia, Vermont, and several others. This deal would not have happened without the availability of Commerce's trade, technology and environmental resources and the aggressive advocacy on behalf of the consortium by Commerce.

Eliminating Commerce as an entity, slashing export promotion programs, and dispersing remaining functions among numerous agencies with diverse missions, isn't "reinvention," it's shooting ourselves in the foot. The "benefits" of such dismantling will go to our international competitors who continue to have the advantage of their Governments' support. When one considers that Commerce has the smallest budget of any department in the Cabinet, about three-tenths of one-percent of proposed Executive Branch spending, we believe that we provide a sound investment in the future. It would be a serious mistake if the Congress' version of reinvention embraces "downsizing" blindly and loses sight of the need to "right-size" the Government.

While the program terminations contained in the proposals merit rejection by themselves, perhaps the proposals' most egregious flaw is that they destroy the synergy that is created from unifying programs with a commercial focus in a single department. It is no answer to say that the proposals provide for the continuation of essential Commerce functions by transferring a few trade-related functions to USTR, some export control functions to Defense and others to Treasury, a few narrow technology functions to the National Science Foundation, and a few NOAA functions to Interior, Transportation and Defense. All of these "recipient" agencies have their own missions to accomplish; adding Commerce functions to their disparate missions loses much in the transition because they lose their commercial focus.

Mr. Chairmen, let me conclude by saying that experience teaches us that the sound way to make public policy is to bring competing stakeholders and their advocates to the table and let them hash out their differences. When you cut out major players, your job may seem easier, but your product is worse. And when it comes to Cabinet deliberations, it is the responsibility of the Secretary of Commerce to plead unabashedly the cause of business. Will we really be better off if Commerce is not at the table when deliberating export control matters? Will we be better off if the Commerce voice is absent in discussing international trade, technology, regulatory, environmental and economic policy issues? I am not suggesting that commercial interests always carry the day in these deliberations; other interests are also important. There is no doubt, however, that commercial considerations need to be part of the equation. Having a voice at the table matters.

Thank you.

SUMMARY OF MAJOR REASONS FOR OPPOSING H.R. 1756, "DEPARTMENT OF COMMERCE DISMANTLING ACT"

1. *Abolishment of the Department of Commerce* (Title I). The Chrysler bill abolishes the Commerce Department and establishes a Commerce Programs Resolution Agency to wind-up the affairs of the Department over the course of three years. Numerous existing programs would be terminated, while others would be transferred to other agencies. The bill also limits expenditures for each remaining function for all future fiscal years to 75 percent of the total amount expended to perform that function during fiscal year 1994 (§310).

- Response: In an intensely competitive global economy, the U.S. Department of Commerce has emerged as American business' surest ally in job creation: a vital resource base, a tireless advocate, and a Cabinet-level voice for the private sector. No other Department can make this claim. While the bill includes a number of terminations, the bulk of Commerce programs would continue but would be dispersed to the President and 16 named agencies, at considerable cost to the taxpayer. Rather than diluted through dispersal—an unnecessary and expensive process—these functions should remain unified at a Department of Commerce. This will ensure that the business community continues to have a forceful advocate in Cabinet deliberations on economic issues. Moreover, reducing expenditures for Commerce functions not otherwise eliminated to only 75 percent of 1994 totals for each fiscal year is an unworkable approach to deficit reduction. Under this approach, even those activities that the sponsors of the bill acknowledge are vital to the Nation's interest cannot be meaningfully performed. This provision appears to have been drafted without any understanding of its implications for Commerce programs.

2. *EDA: Abolishment of the Economic Development Administration* (§201). The bill terminates immediately EDA's grant programs and abolishes the agency. It transfers portfolio management with respect to the defunct loan programs to Treasury.

- Response: EDA is the only agency in the Federal government that conducts a special program to assist communities in carrying out strategic plans to adjust to changes caused by the downsizing of defense programs. With 70 major facilities selected for closure or realignment in the first two rounds and an additional 49 major facilities recommended by the Defense Base Realignment and Closure Commission in the 1995 round, funding needs of impacted communities will increase. Termination of EDA would also deprive communities of public works and planning assistance that can be critical in helping communities address regional problems of economic deterioration in order to preserve or expand their job bases.

3. *BXA: Transfer of the Bureau of Export Administration Functions* (§§202-203). The bill transfers export licensing functions of BXA to *State* (other than short supply which would reside with the President) and transfers export enforcement functions to *Treasury*.

- Response: As a part of the Commerce Department, BXA is uniquely situated to administer, from an economic and commercial point of view, export control programs that have a significant impact on U.S. industry. Because other departments have different missions and objectives, no other is as well-positioned to balance fairly the various concerns of commercial need, national security and foreign policy when making licensing decisions. Licensing and enforcement responsibilities should not be split because each function benefits from its links to the other and because only BXA has the enforcement capability specifically dedicated to export control and anti-boycott enforcement.

4. *ITA: Transfer and Termination of Various International Trade Functions* (§204). The bill eliminates the International Trade Administration, transferring to *USTR* a number of functions (including those related to antidumping and countervailing duty (AD/CVD), the foreign operations of US&FCS, and various export promotion and textile functions), and divides others between *Treasury* and *ITC*. The bill abolishes a number of offices and functions, including the domestic operations of US&FCS, regional and country analyses needed for supporting international negotiations and trade promotion, and the Committee for the Implementation of Textile Agreements (CITA).

- Response: Breaking up and dispersing the International Trade Administration (ITA) among a number of agencies makes no sense economically or programmatically. ITA is an integrated whole and has one mission: to help U.S. companies sell products abroad and support U.S. jobs at home. ITA-led efforts during 1994 resulted in U.S. firms winning foreign business deals with a U.S. export content of approximately \$20 billion, thus supporting over 300,000 jobs.

Transfer of functions to other agencies with differing missions will detract from this focus on exporting.

—Abolishing the domestic export promotion field offices and eliminating the sources of sectoral, regional and country analyses needed to support trade promotion and international negotiations would deprive American companies, particularly small- and medium-sized companies, of the tools needed to become successful exporters and would place the United States at a disadvantage with its trading partners.

—Transfer of major functions to USTR would change the nature and character of the Office of the USTR, which is currently a small trade-negotiating agency that serves as the President's adviser on trade matters, and entangle it with a myriad of diverse programmatic responsibilities. Moreover, negotiation of U.S. trade agreements and administration of the AD/CVD laws should remain separate to avoid subjecting decision-makers to pressure to make trade-offs between issues in negotiations and AD/CVD enforcement.

5. *PTO: Transfer of the Patent and Trademark Office* (§205). The bill transfers the PTO to *Justice* and requiring it to be fully funded by fees.

- Response: The PTO is properly part of the Commerce Department and should not be affiliated with the Justice Department. Justice is primarily an enforcement agency. Because the function of the PTO under the Constitution is to promote commerce by registering trademarks and to promote technological growth by granting patents, it makes more sense for the PTO to report to the Commerce Department, whose mission is to promote industry and trade. The PTO also plays an important role in international negotiations on intellectual property protection, such as in NAFTA and the Uruguay Round agreements and the recent agreement signed with Japan. This too is a role that fits well with other Commerce responsibilities. Moreover, there would be no savings in moving the PTO to Justice since the PTO is already fully supported through fees.

6. *TA/NIST: Abolishment of the Technology Administration and Termination of Technology Programs* (§206). The bill proposes to abolish the Technology Administration, the only Federal agency whose primary concern is the competitiveness of the Nation's technology base. The bill would terminate the Office of the Under Secretary for Technology and the Office of Technology Policy, eliminate vital programs such as the Advanced Technology Program and Manufacturing Extension Partnership (§§ 206 and 212), and attempt to sell off the NIST laboratories and the National Technical Information Service (NTIS).

- Response: Technology is the engine of economic growth. In a world where technological leadership means the difference between prosperity and economic decline, the Department of Commerce's Technology Administration (TA) plays a unique and critical role in creating an environment in which U.S. industry can flourish.

—The Technology Administration and Office of Technology Policy are effective agents in promoting our nation's competitiveness and encouraging U.S. companies to pursue technology innovation.

—NIST serves a vital and necessary role in the Department of Commerce's civilian technology and trade mission. NIST contributes technical expertise and knowledge gained from extensive interaction with industry to DOC's mission. In carrying out its mission, NIST also draws upon the expertise of other agencies of DOC on trade and economic issues.

—NIST labs perform infrastructure research that is appropriately performed by the government and which is inseparable from the important standards and measurement functions the bill proposes to move to NSF.

—The Advanced Technology Program (ATP) is a highly competitive, merit-based, cost-shared program which provides a mechanism for extending U.S. industry's technological reach in today's fiercely competitive global marketplace. By abolishing the Manufacturing Extension Partnership, the bill would dismantle a nationwide network of community- and state-led technical programs that is helping smaller manufacturers adopt new technologies.

—Selling off the NTIS data collection would threaten the existence of an important comprehensive collection of scientific and technical data, as well as the access to the collection by the Federal government and the private sector. NTIS already supports itself fully through fees.

7. *ESA: Transfer of the Census Bureau and Bureau of Economic Analysis* (§§207-208). The bill transfers the Census Bureau to *Treasury* and the Bureau of Economic Analysis to the *Federal Reserve System*.

- Response: These proposals represent a false economy since the bill maintains the bulk of the Department's statistical programs and simply "re-houses" them in different parts of the Government. By dispersing Commerce's statistical agen-

cies across the government, the bill could jeopardize the quality and integrity of the economic and demographic data that American businesses and policy-makers rely on to make vital decisions about the future. Commerce is an ideal home for the hub of the statistical system because it does not contain the tax (Treasury), regulatory (Labor—OSHA), and monetary policymaking (Federal Reserve) authorities that exist in the agencies where Census and BEA are slated to go under the bill. Such transfers would compromise the independence of the statistical agencies and threaten the confidentiality of the information that individuals and businesses report. For example, moving BEA to the Fed would undermine the vital independent credibility and function of each. It would open them both to justifiable charges of conflict of interest to have the Fed oversee and fund the producer of the very data it uses to form its view of the economy. As a recent editorial in *The Journal of Commerce* put it, the transfers contemplated in the bill try to stick "square pegs in round holes."

8. *NTIA: Transfer of the National Telecommunications and Information Administration and Termination of Grant Programs* (§§ 209-210). The bill repeals the grant programs of the National Telecommunications and Information Administration and transfers its spectrum management and other functions under its organic statute to the FCC.

- Response: Telecommunications and information have become the world's largest economic sector, generating more than \$590 billion in annual revenues and employing about 3.6 million workers in the United States. In an environment where sound telecommunications policy is essential to the future competitive health of the U.S. economy, NTIA, the principal Executive Branch voice on these issues, plays a crucial leadership role in setting domestic and international telecommunications and information policy. It has, for example, been instrumental in promoting the development of and access to the national and global information infrastructure. Terminating NTIA's policy functions could undermine the future prosperity of the United States.

NTIA also manages the Federal government's use of spectrum for, among other things, national defense, public safety, and natural resource management. Relocating NTIA's spectrum management functions to the Federal Communications Commission (FCC), an independent regulatory agency, could well be a recipe for disaster. By assigning this function to an agency that generally operates outside the established Executive Branch coordination process and disregarding NTIA's spectrum management and policy expertise, the bill would threaten Government missions, including national security and emergency preparedness. Transferring management of the Federal spectrum to the FCC would also raise concerns regarding interference with the President's constitutional authority, particularly his authority with respect to the national defense and foreign affairs.

9. *NOAA: Transfer, Termination and Privatization of the Functions of the National Oceanic and Atmospheric Administration* (§ 211). The bill dissolves NOAA and transfers, privatizes or eliminates its functions; and reduces funding for remaining functions by at least 25%. The bill transfers fisheries science and the National Weather Service to *Interior*; fisheries enforcement to *Transportation*; and mapping to *Defense*. The bill seeks to privatize the National Environmental Satellite, Data and Information Service (NESDIS) data centers and eliminates the Office of Oceanic and Atmospheric Research and fisheries grants.

- Response: Massive restructuring would eliminate synergies in NOAA which promote the missions of describing and predicting changes in the Earth's environment and conserving and managing the Nation's coastal and marine resources to ensure sustainable economic opportunities. The Chrysler proposal is short-sighted because it fails to recognize the unique nature of NOAA services, which provide cost-effective benefits to the entire Nation. NOAA's mission involves basic responsibilities of the Federal government for ensuring general public safety, national security and environmental well-being, and promoting economic growth. NOAA's interdependent programs are particularly effective *because* they are coordinated by a single agency.

—Moving science to *Interior*, without transferring management and other functions, would harm the effectiveness of Federal efforts to manage fisheries. The lack of integrated scientific, management and enforcement oversight would endanger resources and industry viability.

—Commerce is the only Federal agency which integrates economics, environment, technology and information to make the whole greater than the sum of its parts.

—Mixing of civilian and military charting functions will dilute both, with civilian and military charting responding to different taskings.

—Privatizing the data centers will threaten current international agreements for the free exchange of weather and environmental data. The continuous flow of data among participating governments would not be guaranteed, and a decrease in the amount of data available to NOAA and the private and public sector would occur. There is no demonstrated market for the sale of the data produced by the Centers.

—NOAA's mission-driven research supports operational improvements, resource management needs and scientific assessments of environmental phenomenon. Privatization of these capabilities would eliminate agency synergies and would result in few Federal savings since data requirements remain the same.

—Severe budget reductions would cripple NOAA's essential national services that protect human lives and property, and contribute to a growing economy. For example, the Weather Service would be forced to reduce the number of stations operated in the modernized system from 118 to about 80—NWS already is downsizing from around 300 offices to 118.

10. *MBDA, USTTA, EDA, NTIA. Miscellaneous Abolishments* (§212). In addition to providing for the termination of EDA (§201) and transferring NTIA to FCC (§§ 209-210), the bill includes a provision that expressly abolishes four Commerce agencies: EDA, NTIA, the Minority Business Development Agency (MBDA) and the United States Travel and Tourism (USTTA).

- Response: These agencies perform functions vital to the Department's mission to ensure and enhance economic opportunity. EDA provides critical assistance to distressed regions of the country and NTIA oversees the increasingly important telecommunications sector within the Executive Branch.

—MBDA provides management and technical assistance to help minority-owned businesses overcome obstacles to their creation and expansion. This assistance helps these businesses grow, thereby helping increase employment opportunities within their communities.

—USTTA has provided valuable information on the tourism industry. Critical functions within USTTA need to be retained along with other essential trade promotion functions at Commerce.

Mr. OXLEY. Thank you, Mr. Secretary.

And let me say, I think it is the first time you have testified before the authorizing committee.

Secretary BROWN. Yes, it is.

Mr. OXLEY. We appreciate your cooperation.

Let me begin by asking you about the whole idea of reinventing government, which as you know has been one of the hallmarks of this administration. What role has Commerce played in that entire reinventing government area and what plans do you have within the reinventing government plan to restructure Commerce?

Secretary BROWN. A very significant role, Mr. Chairman. We have been very active in both phases of it. Our phase two proposals have not yet gone completely through the process. We involved all of the Commerce employees in this process, and it really brought our Department together.

You know, our Department has been much maligned over the years. My charge was to reinvigorate the Department, and that is exactly what we have done. Part of the process has been through reinvention. Let me give you some ideas of reinvention.

We are going to save \$1 billion on the year 2000 Census by doing it differently, by reinventing the way the census is taken. We are moving to privatizations. I know in the bill before this committee there is some talk about savings from a fee-funding of Patents and Trademark. We are already fee-funding Patents and Trademarks. We have already done that.

We are moving toward our privatization; looking for proposals of privatization. We are looking at NTIS being privatized. We are looking at various small portions of the Weather Service to see if

privitization makes sense for them. So we are very anxious to reinvent ourselves.

I hear a lot of talk about all of the companies of America have right sized and downsized, why can't the Commerce Department do it? That is a legitimate question. I would submit, though, that that is an analogy which is inappropriate. The appropriate analogy is between a company and the Federal Government. The Federal Government is downsizing.

When a company downsizes, they ask several questions. Number one, are there functions that we have been performing that just don't need to be performed anymore? If the answer is yes; they get rid of them.

Second, they say, are there functions that are still being performed that are still essential, but there is fat that should be cut? Same thing ought to apply to them.

Third, they often say, are there functions that are key to our economic future? Maybe we need to invest more in those functions.

And that is what has happened to this Department over the last 2½ years. We have been one of the few departments to have more resources. We didn't stumble into this. The President made a decision that the work we were doing was crucial to the economic future of America, and that is why more resources have been made available. I would submit that that is the same kind of judgment that American business and industry makes every day as they right size and downsize.

So we are very much in the reinvention business.

Mr. OXLEY. You have about, what, 36,000 employees?

Secretary BROWN. That is correct, Mr. Chairman.

Mr. OXLEY. Looking down the road, based on your vision of reinventing government, where would you like to be in 5 years in terms of personnel?

Secretary BROWN. I don't know if I could give you an exact number on personnel. We would like to be a lot smaller. We would like to be a lot tougher. We would like to be a lot leaner. That is one of the things that we are working through with the second phase of Vice President Gore's reinvention project. There is a number for the Federal Government that we are a part of. I have indicated already we are looking at a 250,000 work force reduction for the Federal Government, but I can't give you an exact figure for the Commerce Department.

My staff has just given me some information which I will provide you now. Since 1993, we have reduced staff by about 3,500. By 1999, staff will be further reduced by another 2,200. So that is the short term. That doesn't go through the full 5-year cycle which your question addressed.

Mr. OXLEY. Thank you.

The Export Enhancement Act of 1992 requires the Trade Promotion Coordinating Committee, which you chair, to establish trade program priorities and propose a unified budget for all Federal trade promotion. However, according to GAO, this requirement has not yet been fulfilled. Why is there so much difficulty in coordinating our national trade strategy?

Secretary BROWN. Well, we have no difficulty in coordinating the strategy, Mr. Chairman. Being a Member of Congress for some

years, you know how jurisdictional lines can sometimes interfere in the moving of funds. There is a big debate about how dollars ought to be spent, where they ought to be spent, where they are most leveraged.

I think you will be pleased with the report that we filed with the Congress this year that we are going to take on that issue. That was a legitimate criticism by GAO. We couldn't get our arms around the resource allocation piece of it. But as far as the strategy is concerned, we are working as a team moving in the same direction. In the report we are going to submit to the Congress this year, we will be dealing with the resource allocation issue.

Mr. OXLEY. The Chair's time is expired. I now recognize the ranking member, the gentleman from Louisiana.

Mr. TAUZIN. I thank the Chair.

Mr. Secretary, before you got here we had a panel of members and we had, as you know, a long discussion with them as to the various proposals in regards to reorganization of many of these functions. It was pointed out that half of the Commerce Department's budget and function is NOAA.

Secretary BROWN. Correct.

Mr. TAUZIN. You make the point that a fisherman will throw you overboard if you suggested that wasn't commerce, but isn't energy a commerce function in the United States? Isn't it somewhere else? Why does NOAA have to be under the Commerce Department?

Secretary BROWN. It doesn't have to be, Mr. Tauzin. I would never make that argument. You could probably make arguments as you look through every department of the Federal Government that maybe it would fit someplace else. The question is, where is that someplace else and is that someplace else better than Commerce.

Mr. TAUZIN. Let's talk about it for a second. NOAA's mission involves describing, predicting changes in the earth's environment, servicing and managing coastal resources, public safety, national security, environmental well-being. It basically turns out that when you examine NOAA at its core, it has an incidental function of promoting fisheries industries. In fact, before you got in, I made an argument that as far as I am concerned in Louisiana, it has done more to harm the fishing industry than to help it. We are down half our fishing fleets thanks to NMFS and other enforcement agencies down there.

The bottom line is when you look at its function, at its core, it does not appear to be an agency designed to encourage and promote an industry, but one more centrally focused on environmental issues and weather issues and public safety issues that are quite regulatory in nature rather than industry-promoting in nature.

Would you like to challenge me in that belief?

Secretary BROWN. I think there are some regulatory functions. I certainly wouldn't challenge that. I think there are regulatory functions in all of the major departments of the Federal Government. I would challenge it as far as the balance of how you see it.

I see a good deal of what NOAA does as directly related to economic development and economic growth. I think some of the things that have happened with the New England fisheries, as a matter of fact, to try to bring them back so that fishermen will be able to fish again because you know the kind of depletion that has

taken place. Some has taken place in the Gulf, some in the Pacific Northwest as well.

Mr. TAUZIN. Let me ask you to consider how do I explain that to folks on the Gulf Coast, that your department leveraged Commerce funds to buy out existing fishing vessels as the fishing fleets are depleted on the East Coast because of overfishing in some cases? In our case, it is the regulation of environmental concerns, Endangered Species Act, which has displaced 20,000 fishing families in my State.

I have said it on the Floor; I will say it again. We have suicides of people hanging themselves on their boats out of desperation. No one has come along from the Commerce Department and said, we really need a promoted industry. We will buy your boats, we are going to retrain you, do anything for you. All we have seen is the regulatory hand of the Commerce Department in this area, and whether it is the right or wrong hand, whether the endangered species is correctly applied or not is a separate issue, but the point I am making is that when people look at the NOAA function in my part of the world, they don't see anybody coming out there to promote an industry. All they see is the regulatory function, and all they see is a function that, when I look at it in raw terms, it maybe best ought to go to an agency that is good at regulating. Maybe it ought to go to Interior.

Secretary BROWN. Well, as I said earlier, Mr. Tauzin, we are trying to be the department of the future, and there is something called "sustainable development." How are these resources going to be available for not only ourselves but for future generations? How do we make sure that we still have industries in the 21st century that support many of the communities that you represent so well and demonstrate concern for? I am not sure that these things are totally incompatible.

Mr. TAUZIN. Finally, before my time expires, nations all over the globe are turning to market force economies. I have made a couple stops right behind you and saw some of these remarkable changes. I guess this is a softball question but it is one I want you to respond to.

How important is it for us in this world of change as nations do move to market forced based economies for the United States to maintain a higher level of presence as a national government interest in the development of those economies?

Secretary BROWN. Mr. Tauzin, it is absolutely crucial and it is indispensable. You never ask softball questions.

Now, if you have followed me in some of the places I have been, you know the successes we have had, from being proactive and being aggressive and working in partnership with American business and industry. We cannot compete in this global economy without the U.S. Government standing shoulder-to-shoulder with America business and industry. That is what the Commerce Department does. That is what we think we ought to continue to do. We think it is absolutely essential to our competitiveness in the 21st century.

Mr. TAUZIN. Thank you, Mr. Chairman.

Mr. OXLEY. The gentleman from Idaho, Mr. Crapo.

Mr. CRAPO. Thank you, Mr. Chairman, and, Mr. Secretary, I appreciate your patience for our delay on the earlier panel but this is a very critical issue and I just wanted to make a comment first.

At the beginning of your testimony, you referred to a question which some of the other members of this panel have raised, and that is whether there are those here who are simply trophy hunting or whether there is a serious reason to evaluate this issue.

And I just want to state to you that I think that those who say that the proponents of this measure are simply trophy hunting are taking a rather not-so-subtle slap at their motives, which I don't think is justified. I think there is a real question being raised here about what are the proper roles of the Federal Government in trade and in commerce and what are the proper roles of the Commerce Department, if any, and what functions does our Commerce Department undertake which need to be reevaluated. And I think you have given some pretty good testimony today about some of the issues we have got to give a careful look at.

I agree with you that transfers from one category to another don't necessarily save any money, and I think one of the things we have got to look at very carefully is whether we are simply shifting titles and moving things around but not really reducing government and getting to where the American people want to see us get.

In that regard, I was pretty interested in your testimony, your written testimony where you talked about the fact that today we have a problem in the R&D trends in terms of what American companies are investing in R&D, particularly in comparison with foreign competitors, and I would like to ask you, I think the trends you have noted are remarkable and they coincide with what I would have guessed.

Why is it that American companies are not able to keep up with their counterparts overseas in the amount of their resources they can contribute to R&D?

Secretary BROWN. I think it is global competitiveness itself that has caused a reduction in allocations to research and development. Margins are very small, particularly in many of the fast growth and highly competitive industries. Business leaders make their own decisions for their own reasons about the futures of their companies, how they keep their directors and their stockholders happy. But whatever the reason, I must say that that is the trend, and when my comment about there not being much patient capital around, I think is well-substantiated.

Mr. CRAPO. I tend to agree with you that we have that trend, and I tend to believe that there is a proper role for the Federal Government in our global trade relations. We must recognize that we are in a global competition. The fact is, however, as you indicated earlier, the Department of Commerce is a job creator, and that raises a question in my mind because there are those who believe that the Federal Government is the one who can create jobs in our economy and there are those who believe that the Federal Government may be more of an impediment, and I am wondering if one of the reasons we see such slim margins with American companies and one of the reasons we see such a reduced ability to get into R&D is because we have had such a burdensome regulatory climate and because we have had such an aggressive tax policy in

this country that we don't give these companies the opportunity to be on a level playing field.

Could you comment on that?

Secretary BROWN. Surely. One of the things that I have said often, I didn't say it in this testimony, is there are two things we can do to be good partners. One is at the proper times, to stand shoulder-to-shoulder with American business and industry. The other is to get out of the way when in fact we are an impediment to growth. The question is how we go about finding the balance. That is certainly a question worthy of discussion and debate.

The points that you make, certainly does add to the cost of doing business. It certainly is among the reasons for a cutback in R&D expenditures.

Mr. CRAPO. I have one more question but I wanted to make a comment though. Whatever the role of the Department of Commerce in the future, I would certainly encourage the Department to have a much more aggressive posture in terms of trying to address the other aspects of our Federal Government and backing them off to let us get out of the way, as you suggest.

Secretary BROWN. May I respond?

Mr. CRAPO. Yes, you may.

Secretary BROWN. I think that is a good and worthy suggestion and it is the kind of role that I have attempted to play in this administration.

As I indicated before, I see myself as the advocate for American business and industry at the Cabinet table. As you well know, there are a lot of discussions that go on within the administration on a whole variety of issues. One of the things that the President relies on me to do is to express the views of my constituents, that is, the constituents of my department, which is the business community. I try to do that as effectively as I can. I don't always win those debates.

Mr. CRAPO. I appreciate that and I do agree with your point that we can have a win-win posture with jobs and the environment as we approach these issues.

Mr. OXLEY. The gentleman's time is expired. The gentleman from Massachusetts, Mr. Markey.

Mr. MARKEY. Thank you, Mr. Chairman, very much.

First, let me begin by noting to the gentleman from Georgia, Mr. Norwood, that this letter is our country, sir, and I really don't appreciate the implication of your challenge to its authenticity. In fact, I think that the letter itself is self-authenticating that there are 27 companies that wrote to us, and if you would like to know, I have already asked a couple of companies who are out here if they have signed it, and they have corroborated that they did in fact sign it, including ABB Incorporated, a corporation that the gentleman was fighting for to get a \$50 million Federal grant out on the Floor that I opposed and you supported just 3 weeks ago. So it is not as though your own companies in your own district aren't in fact interested in these issues.

And I might add, Mr. Chairman, that the Electronics Industry of America also opposed, the Telecommunications Industry Association, the American Textiles Manufacturers Institute, the Steel Manufacturers, the American Iron and Steel Institute. We have let-

ters from all of these as well, and by unanimous consent I would like these letters to also be included in the record.

Mr. OXLEY. Without objection.

Mr. MARKEY. I thank the gentleman.

[The information follows:]

July 24, 1995.

HON. EDWARD J. MARKEY

*House of Representatives, 2133 Rayburn House Office Building
Washington, DC*

DEAR CONGRESSMAN MARKEY: As the Commerce Committee considers the future of the Department of Commerce and its many functions, we would again like to underscore the critical role the department plays in advancing the interests of American business. There is certainly room for improvement and streamlining, but we are convinced that certain essential functions and responsibilities must be retained.

We believe the Executive Branch must retain a department-level advocate for trade. There is no doubt that expanding trade is key to our nation's economic growth. Just as Congress has long recognized the critical importance of your committee to its deliberations, so too must the Executive branch have a source of expertise on the issues facing our nation's industrial exporters. Virtually every other sector of our economy—agriculture, transportation, banking, and mining, to name a few—has representation in the President's cabinet. It would be a grave mistake not to give the same priority to our nation's industrial sector.

Similarly, a department representative is essential if we are to have an effective advocate with foreign governments. Much of our trade activity involves convincing foreign officials to have their governments favor the buying of American products over those of our competitors. Abolishing such representation would leave us without the senior-level advocacy that we know is so critical. We cannot expect foreign governments to take U.S. exports seriously if our own government is saying that the promotion of American exports and direct investments are not a priority.

Having won the cold war, the United States must now lose its position as the world's dominant economic and political power. We cannot do that, however, if we blind ourselves to the needs of the industrial sector of our economy. For the United States to take such an action would only confirm what Will Rogers said, "America has never lost a war or won a peace."

We urge you to keep these points in mind as Congress reforms the functions of government. We would be pleased to share with you more details of our experiences and would be glad to offer whatever assistance we can to your deliberations.

Sincerely,

ABB, Inc.; Allied Signal Inc.; Armstrong World Industries; Coming; Florida Futures of America; Hewlett Packard; Litton; McDermott; Occidental Petroleum; Raytheon; Stone & Webster; Texaco; TRW, Inc.; Westinghouse; Aetna; ARCO; Bethlehem Steel; Dresser Industries; General Electric; Hughes; Loral; McDonnell Douglas; Procter & Gamble; Rockwell; Tenneco, Inc.; Textron; United Technologies.

Mr. MARKEY. And to the gentleman from Georgia, questioning, I think, the integrity of the gentleman from Massachusetts as to the authenticity of the letter, we could, in fact, question whether or not the witnesses here today from the National Association of Manufacturers, or the American Automobile Association, or the Computer and Communications Industry Association all represent every member of their associations as well. We could have staff investigations of every letter and every witness before us, but I don't think it would be very helpful to have the challenge made to us.

I can promise you that Raytheon and ABB and Arco and Bethlehem Steel and Occidental and Stone and Webster all do not want to see this proposal go through as it has been propounded, and I just wanted to put that on the record, Mr. Chairman.

Mr. NORWOOD. Would the gentleman yield?

Mr. MARKEY. Yes.

Mr. NORWOOD. The only question I had was why it was on blank paper. I was just curious from where it came. That was the only question, and the chairman answered it.

Mr. MARKEY. Well, it is a common practice. If you go through your mail on an ongoing basis every day, you will find that many letters do not have letterheads on them, although they do purport to represent the views of the people that are writing to you. I don't think a letterhead in and of itself should cause the gentleman to have suspicions about the authenticity of a letter in the absence of any other indication that are being presented in the letter.

Mr. OXLEY. Will the gentleman yield?

Mr. MARKEY. I would be glad to.

Mr. OXLEY. I think the gentleman from Georgia is trying to clarify it. Since he is a freshman, he wasn't aware of the procedures and the Chair tried to indicate that that was the procedure.

Mr. MARKEY. And I thank the gentleman very much.

Mr. Secretary, you have working for you Larry Irving, who was the chief counsel of the Telecommunications Subcommittee for 6 years here. I think all of those who have worked with him know what a knowledgeable and effective person that they have met working in government.

Could you detail for us a little bit about the vision for telecommunications working through your Agency and Larry Irving for the future?

Secretary BROWN. Yes, I can, Mr. Markey.

First of all, let me agree with you wholeheartedly in your assessment of the prowess of Mr. Irving. I was very pleased to be able to recruit him and have him leave the staff of the Congress, specifically your staff, Mr. Markey, and to come to work for the Commerce Department.

We have very specific goals, and as you know, I am chairman of the administration's Task Force on the Information Infrastructure. First and foremost, we want to promote competition in the marketplace. We want to promote investment. We know that it is the private sector that is going to build our national information infrastructure. We want to promote interoperability so that we can build a system of networks and they can interconnect. We want to promote universal access so, as I said in my earlier testimony, we do not create a society of information "haves" and information "have-nots". We want to use telecommunication technology to close some of the gaps in our society. Whether there are gaps as far as the delivery of educational services or gaps in the delivery of health care services or other such gaps, we think we have a tremendous opportunity to really make a difference in the lives of people, but also to create a profitable enterprise that can employ people as well.

Mr. OXLEY. The gentleman's time is expired.

The Chair would announce there is a vote, a series of votes on the House Floor and the second bells rang. The Chair plans to recognize the gentlelady from Oregon for 5 minutes of questions, and with the hopes that the Secretary would be able to stay when we return.

Secretary BROWN. At your convenience, Mr. Chairman.

Mr. OXLEY. Thank you, Mr. Secretary. The gentlelady from Oregon.

Ms. FURSE. Thank you.

Mr. Secretary, thank you for your wonderful testimony. I wanted to quote to you from a letter by Mr. Frank Shrontz. He said, "elimi-

nation or transfer of these critical trade functions would signal this government's retreat from the global marketplace and undermine the competitive position of U.S. companies," and I am going to ask the chairman if I may submit this for the record. This gentleman is the Chairman and CEO of the Boeing Corporation, which is obviously very important in the Northwest.

Mr. OXLEY. Without objection.

[The letter referred to follows:]

THE BOEING COMPANY,
Seattle, WA, June 28, 1995.

HON. ELIZABETH FURSE
House of Representatives
Washington, DC

DEAR REPRESENTATIVE FURSE: I am writing to express the views of The Boeing Company on proposals to eliminate the Department of Commerce.

The Department's International Trade Administration and its Bureau of Export Administration provide services and programs designed to promote and facilitate the free flow of America's goods and services into the global economy. With relatively limited resources, as compared with our strongest competitors in Europe and Asia, they have provided extraordinary support to the American business community. Elimination or transfer of these critical trade functions to diverse agencies, at a time when other countries are actively supporting their exporters, would signal this Government's retreat from the global marketplace and undermine the competitive position of U.S. companies. Retaining these essential functions in a single Cabinet-level department would insure that American business continues to have a strong voice at the highest level of our Government.

Rest assured we support the efforts to reduce the size of the Federal Government and streamline its operation. We do feel, however, that it is vitally important that efforts to achieve this goal be evaluated in terms of maintaining the efficiency of government programs that have worked to the competitive advantage of American companies and their workers.

Sincerely,

FRANK SHRONTZ.

Ms. FURSE. Mr. Secretary, as you know, there has been a tremendous increase of exports from Oregon in the past 2 years. Exports are up 40 percent, and in 1994, Oregon increased our exports by 18 percent. How would you be able to characterize the Department of Commerce's role in these increases and what programs support exports in Oregon and how much of this phenomenal growth we have would you attribute to the Commerce Department's programs?

And I am also going to ask you another question, Mr. Secretary, so I get in my 5 minutes.

I authored a bill last Congress called the Environmental Export Promotion Act. We have 400 businesses in Oregon who are in environmental protection. What has the Department of Commerce done to promote the growth of environmental technology exports?

Secretary BROWN. Thank you very much, Congresswoman Furse. Let me begin by answering your first question.

I would like to think that we have had a good deal to do with your State's success. We have certainly worked closely with you and other members of the delegation, both Republicans and Democrats, to assure that that is the case.

I believe our export promotion efforts through our United States Foreign Commercial Service have been at the very cornerstone of achieving those successes. They are particularly helpful to small business people, to entrepreneurs who a year or so ago weren't even thinking about the export marketplace, were focusing on the

domestic market, and that is why we are so anxious to expand those activities, both here in the United States and overseas so that we can be a home away from home so to speak for American entrepreneurs as they travel the world looking for new opportunities.

I believe there is much more work to be done in that regard. We want to make sure that we are using the latest technology so that business can be done without taking long trips. We think we have made major strides towards putting in our export assistance centers, that kind of technology.

I just announced this morning that our BEMS, our Big Emerging Markets Strategy, is now on Internet. It is a home page. That kind of activity we believe is very helpful and will continue to be helpful.

In the technology area, we think we have made a good deal of progress, too. Our Advanced Technology Program I believe is one of our most important programs, leverages Federal dollars. A number of Oregon companies have participated in that program. Over half of the companies that have participated are small companies and we think that ought to be the focus.

As to your second question, let me just say it is one of the areas that I am most proud of. And it shows the synergy that exists within the Department. This is why having a Technology Administration and an International Trade Administration and NOAA in the same department is important. It allows us to coordinate in a way that wouldn't ordinarily be the case.

We have brought to the International Trade Administration a specialist in environmental technology promotion. We recruited her from Mexico. She was working for the Environmental Protection Agency in Mexico. We brought her to the International Trade Administration and she now is coordinating all of our efforts to promote export of our environmental technologies. Believe it or not, although we are number one in environmental technology, we are not the number one exporter. Germany is. I want to see that change. I want us to be the number one exporter.

You might remember, there was a time not too long ago where there was a raging debate in America between those concerned about economic growth on the one hand and those concerned about environmental stewardship on the other, as if never the twain should meet.

What we have discovered is that we have now developed a whole new sector of our economy. It is called environmental technology, employs tens and thousands of Americans, hundreds of thousands of Americans. I believe that environmental technology could one day be the biggest export of this country. So we are giving it a lot of focus and a lot of attention.

Mr. OXLEY. The gentlelady's time is expired.

The Chair would announce that we have 3, maybe 4 votes, a 15-minute vote followed by 5-minute votes, Mr. Secretary, and so the subcommittees will stand in recess for 15 minutes.

[Brief recess.]

Mr. OXLEY. The subcommittees will reconvene and the Chair will recognize the gentleman from Georgia for 5 minutes.

Mr. NORWOOD. Thank you, Mr. Chairman, and, Mr. Secretary, welcome. Thank you for your earlier comments. I want to tell you

that we only have just a few minutes and please indulge me with short answers so we can try to do as much as we can.

Secretary BROWN. I will do my best.

Mr. NORWOOD. I am a little disappointed that my friend from New York is not here, Congressman Frisa. I wanted him to hear this but he was earlier waving around the telephone directory from the Department of Commerce and asking out loud what really did we think 36,000 employees did over there and how in the world they spent \$4.2 billion, and really he didn't know, didn't think they knew either, and I thought maybe we could talk about just maybe one of the Agencies inside of Commerce, and I want to focus on one of the Agencies, the Economic Development Agency, the EDA.

The EDA has been criticized, Mr. Secretary, as nothing more than a half a billion dollar political pork barrel for special interests and, in fact, your own Department's Inspector General noticed serious problems in the EDA's financial management.

Now, I would like to just show you some pictures and two of the projects that the taxpayers have financed through the EDA. The first one is up on the podium now. This is a photograph, Mr. Chairman, of the replica of the Great Wall of China. It is located in Bedford, Indiana. The second photograph is of a chain link fence which surrounds this boondoggle. Apparently, EDA had to build a chain link fence there to protect the Great Wall, Mr. Chairman.

I wonder if, Mr. Secretary, you might know how much this little project cost taxpayers, or let me just say it this way. Would you disagree with me if I were to tell you that our investigations implied that the price tag of this project was \$630,000 of taxpayer dollars?

There is another Department of Commerce EDA project near Bedford, for those of you who can't see. It is another chain link fence protecting tourists from a replica of the Great Pyramid in Egypt.

Our country has great natural wonders like Niagara Falls and redwood forests, man-made wonders like Mount Rushmore and Manhattan skyline.

I am glad you are back, Congressman Frisa. I am trying to tell you about what one of the agencies does that you questioned—why a replica of the great pyramids, why a replica, Mr. Chairman, of the Great Wall of China, and even why, in Bedford, Indiana, of all places?

Mr. Secretary, is it your position that we need a Cabinet level department for this sort of idiocy?

Secretary BROWN. I would say, Congressman, I think it is rather disingenuous to show photographs of a program that was canceled in 1986.

Mr. NORWOOD. Yes, it was.

Secretary BROWN. That money was spent in 1982. Of course I don't approve of that kind of expenditure. Of course it is a terrible thing and a waste of taxpayer dollars. We have responded very well to the IG's report. The corrections have been made in reference to the suggestions that the Inspector General made. We think we have EDA in good shape today and we hope it will be evaluated on what kind of shape it is in today, not what kind of shape it was in in 1982.

Mr. NORWOOD. I know that you are not happy any more than any other American about the \$630,000. Now, on the same token, you need to understand some of us who believe that Commerce is too large an Agency that spends too much money, is too difficult to manage, also believe there are some things within Commerce that are important, and I think that because some of us imply that we don't want this to be a Cabinet level Agency, should also, as you have stated, not mean that we are against everything in there. We are just simply saying that it is too big, it is too hard to manage and we may not be getting our dollar's worth, such as this pyramid that we built.

I want to ask two quick questions and I am through. Are there any businesses in America that you know of that are doing business overseas around the world without the help of the Commerce Department?

Secretary BROWN. I am certain there are some, yes.

Mr. NORWOOD. You earlier in your testimony were talking about downsizing, how American companies had gone through the process of how to get smaller, and in saying so you indicated that they would look at things that are wasteful and they eliminated those things they don't need, and then you indicated there are some things they need to continue doing, and the next step is to reduce the fat and, last, they must look at things that are good for our future and perhaps even spend more or put their future of their company, when a company faces those decisions and they downsize and they trim back and they cut the fat all that they can and they still realize that they have a cash flow problem and they still realize that they have more expenses than they have income, even after having done the best things that they can do, then what choices do they have at that point?

And I ask you that because perhaps that is the same situation we are in with our government, that when we cut everything and we trim everywhere, we still have a cash flow problem. Don't then we have to start taking good ideas and cutting them out because we can't afford them?

Secretary BROWN. What you do, then, Congressman, is what we are doing, and that is have a plan for balancing the budget. The House budget resolution moved in that direction. The President of the United States has moved in that direction. We acknowledge that we need to have a balanced budget. The question is how we get there, what our priorities are, how we establish those priorities.

Mr. OXLEY. The gentleman's time is expired.

Mr. NORWOOD. Mr. Secretary, thank you. Thank you, Mr. Chairman.

Mr. OXLEY. The gentleman from Illinois, Mr. Rush.

Mr. RUSH. Thank you, Mr. Chairman.

Mr. Secretary, I certainly want to welcome you to this hearing and I want you to know and I want for the record to state that I am absolutely one of your biggest fans and biggest supporters. I think that as the head of the Department of Commerce, that you have finally turned the corner to make this Department a Department that most Americans feel is relevant to them and that most Americans feel will certainly enhance the quality of life for all of us, and I note that over the years you made a strong, strong com-

mitment to bringing this Department out of the doldrums and really making it to a point where it is the vanguard in terms of all the departments in the Federal Government. I think that the Department of Commerce is without a shadow of a doubt the best run, the most effective Department in the Federal Government. I certainly want to applaud you for all your efforts.

Earlier today it was mentioned, was stated that the question of trophy hunting came up, and I must tell you that not only do I feel as though this is trophy hunting on the part of the other side here, I also believe that it is also a theory bill form of political head hunting that exists here also, and I am concerned about it and will resist all those efforts as much as I possibly can.

I do have a couple of questions that I want to ask you, and one kind of goes directly to the heart of where the business community really stands on this issue of dismantling the Department of Commerce. Does the National Association of Manufacturers support the dismantling of the Department of Commerce?

Secretary BROWN. The answer to that, Congressman Rush, is clearly no, although representations have been made to the contrary.

During the break, when members were voting, I, since I had heard that those comments had been made, which I considered to be misrepresentations, took the testimony of the National Association of Manufacturers and read it. And that is not what it says at all. It strongly supports the trade function, strongly supports the technology functions. It talks about how important it is for those functions to fit together and that is much of what we do in the Department. I consider it to be supportive testimony.

I think anyone who testifies, including myself, would say we always look for ways to improve what we do, to be more user friendly, to be more productive, to do more with less, but I consider the NAM testimony to be supportive of the Department of Commerce.

Mr. RUSH. Mr. Secretary, earlier also Mr. Chrysler testified and he indicated that in relation to the National Weather Service, that there are private companies that duplicate the efforts and activities of the National Weather Service, and he particularly mentioned one company, the doppler service, and said that they, in fact, can do what the National Weather Service does.

My question is, whether or not that is true, does the private sector have the capacity to duplicate the National Weather Service and, second, would you just explain what is the relationship between the doppler service and the National Weather Service.

Secretary BROWN. Well, that is a very good question, Congressman Rush, and I am sorry that Congressman Chrysler is not here. He was misinformed. From hearing the way the question was asked, it sounded like the word "doppler" was the name of a company. Doppler is radar. It is new technology. It is the National Weather Service that runs its operation by the use of doppler radar, in our satellites and elsewhere.

All the data that the private sector uses comes from the National Weather Service. There is no private sector duplication of the work of the National Weather Service. It would be impossible to provide the information that is provided through private channels without the work of the National Weather Service.

I think, Congressman Rush, that if there was ever a function that is clearly a governmental function, it is providing the weather service. It saves our lives and it saves property and it saves money for communities all over America, and I would suggest that we ask our Nation's farmers, ask transportation interests, ask our commercial fishermen and women and they would, I think, make the same point.

Mr. OXLEY. The gentleman's time has expired.

The gentleman from New York, Mr. Frisa.

Mr. FRISA. Thank you, Mr. Chairman.

I appreciate your coming today. Obviously we are here to talk about a bill that would eliminate your Department. Obviously, also, I got your press release, you and the administration are opposed on the one hand, but the President in fact requested an increase in funding for the coming fiscal year. Is that correct?

Secretary BROWN. That is correct.

Mr. FRISA. Why is it you are not able to afford some economies in your department if we were all asking various areas of government throughout from top to bottom to tighten the belt in an attempt to save dollars?

Secretary BROWN. We will ultimately have to be one of them.

Earlier today, though, I indicated that part of our responsibility as leaders to establish priorities, and when you look at the Federal Government as a whole, there is no question that the administration is downsizing the Federal Government. I made some analogies between the private sector and the public sector.

There are some things that we do in government which are investments in our future which might in fact require greater resources. The Commerce Department has the smallest budget of any cabinet level department. We think we get more bang for the buck than any cabinet level department.

Mr. FRISA. Most cabinets, with due respect, I am sure believe the same thing. I can't see how we can justify, though, an increase at a time when we are asking people to be flat or to take a cut, a reasonable cut.

Secretary BROWN. I respond, Congressman, by saying the President has put a new budget on the table. It is a balanced budget approach which gets us to the same place that the congressional budget resolution gets us to, that is, a balanced budget within 10 years. Within the context of that approach, he has looked at all of the operations of the Federal Government to see which ones ought to be downsized and which ones we might want to put more resources into. Those are the kinds of decisions we make.

Mr. FRISA. It is a fair disagreement. Some of us think we can do it sooner, and that is fine. I would like to ask if you are aware of what the NTIA advocated to the FCC regarding elimination of PTAR. Are you familiar with that issue at all, the prime time access situation?

Secretary BROWN. I am certainly familiar with the work of NTIA. I am not sure I am familiar with all the details of the particular recommendation to which you make reference.

Mr. FRISA. This comes from the director of the office regarding repeal of the prime time access provisions. I think this is symptomatic of what we are all trying to work to avoid.

It recommends in sort of carefully crafted language that it is probably time to eliminate that provision, while at the same time saying we should take 5 years to do it. That just seems to me, as a new person in town, as a new Member of Congress, to be the kind of thing that one would think the Commerce Department, which deals with business, which deals with those who are probably most efficient in the conduct of their duties and the achievement of the long term objectives, why we would make that kind of a recommendation. It just seems to me to be, you know, that kind of bureaucratic foot-dragging that all of us are trying to avoid.

Secretary BROWN. I think it has nothing do with foot dragging. It has to do with how you go through things in an analytical way, in a way that makes sense, in a way that is not disruptive but gets you to the objective in the soonest time you think you can get to that objective.

Mr. OXLEY. Will the gentleman yield?

Mr. Irving will be testifying next and may be more appropriate to respond.

Mr. FRISA. I thank the chairman for that, and we will look forward to that.

Thank you, Mr. Secretary. In closing, I guess I would just put into the record that I think what we have here is certainly not a partisan disagreement but just a difference in how efficiently and quickly we think we can get to what we all agree is an important result which is to balance our budget in as timely a manner as possible.

Thank you.

Mr. OXLEY. Thank you. The gentleman yields back.

The gentleman from Michigan, the ranking member of the full committee.

Mr. DINGELL. Mr. Chairman, thank you. Mr. Chairman, you have been very courteous to me and I very much appreciate it.

Mr. Brown, we have fairly limited time, so I am going to have to ask for some to be submitted to the record, others to be a simple yes or no answer with additional response at a later time.

Mr. Chrysler claims his bill would save \$7.7 billion over 5 years. Would you comment on this, please?

Secretary BROWN. It won't.

Mr. DINGELL. How much will it save?

Secretary BROWN. Well, let me tell you some of the problems with that data.

One, I pointed out in my earlier testimony, it takes credit for some things that have already been done, like fee funding the Patent and Trademark Office, no taxpayer money is spent for that office now, it is all fee funded. As a matter of fact, it operates at a profit now.

Mr. DINGELL. Now you get 25 percent coming to the Department, do you not?

Secretary BROWN. No, that is not true.

Mr. DINGELL. That is not true?

Secretary BROWN. That was a representation made. That is not true.

Mr. DINGELL. Mr. Brown, you don't believe that our colleague would misinform the committee, do you?

Secretary BROWN. No, I believe your colleague was misinformed when he made that statement. It is about 1 percent actually.

Mr. DINGELL. One percent?

Secretary BROWN. Yes.

Mr. DINGELL. What is the override that you get in the Secretary's Office or in the Department from the different agencies that are under the jurisdiction of the committee?

Secretary BROWN. There are no overrides, Mr. Dingell.

Mr. DINGELL. None?

Secretary BROWN. No, but, as you know, there are some administrative expenses. We have calculated the PTO expense at about 1 percent.

Mr. DINGELL. Those items are all identified in your appropriations bill in the budget, are they not?

Secretary BROWN. Yes, they are.

Mr. DINGELL. So that again is not true.

Now, Mr. Chrysler's bill cuts all department agencies that are not eliminated by a total of 20 percent from 1994 levels. What is the effect of this across the board cut on each of the agencies which would remain?

Secretary BROWN. It would be devastating.

Mr. DINGELL. Let's take your foreign trade promotion exercises and efforts. What would happen to them? Obviously it would be a 25 percent cut in personnel, a 25 percent cut in effort, a 25 percent cut in travel, and more than a 25 percent cut in effectiveness, would it not?

Secretary BROWN. Definitely more, and that is because, Mr. Dingell, we are not a big grant-making Agency, and therefore when you take cuts like that, they go right to muscle, immediately.

Mr. DINGELL. How much overhead costs would be saved under that kind of arrangement? What would be the impact on our trade deficit, for example, amongst other things?

Secretary BROWN. I think the trade deficit would clearly go up. I think no one questions the effectiveness of our export promotion programs and the kind of impact they have had on creating jobs and economic growth here at home.

Mr. DINGELL. I am going to ask you to submit for the record a full statement of how those matters would impact both the agencies which would remain and how it would impact upon their effectiveness in carrying out their missions.

Would you do that for us?

Secretary BROWN. I would be glad to do that, Mr. Dingell.

Mr. DINGELL. Now, the Chrysler bill eliminates domestic commercial services offices, cuts all surviving functions of the International Trade Administration by at least 25 percent from 1994 levels, as we have agreed. In Michigan this means Detroit ITA office, scheduled to become a U.S. export assistance center, will close and that offices in Grand Rapids, Pontiac, and Ann Arbor will never materialize. Last year the Detroit office counseled over 1,000 small and medium-sized firms and helped 127 companies export.

Can you identify similar reductions that would occur nationwide if the bill is enacted?

Secretary BROWN. There would be similar reductions in all of the States, Mr. Dingell.

Mr. DINGELL. Could you give us a more comprehensive written answer on that, if you please?

Secretary BROWN. I would be glad to.

Mr. DINGELL. The Chrysler bill also proposes to kill the Advanced Technology and Manufacturing Extension Programs. In my State, ATP has funded 13 projects with Michigan companies totaling \$66 million. These projects have had the effect of generating \$132 million of projects that have and will continue to produce high tech, high wage jobs.

The Manufacturing Technology Center at Ann Arbor would be closed along with the manufacturing extension program it administers. Will other similar effects occur in other States if the bill is enacted?

Secretary BROWN. It would be a disaster not only in Michigan but all over the country.

Mr. DINGELL. Could you please enumerate what those would be for the record?

The Chrysler bill abolishes the Economic Development Administration. In Michigan EDA has created and saved over 4,400 jobs between 1993 and 1994. There are over 11 economic development districts in the State, 2 university centers and 1 trade adjustment assistance center which also serves Ohio and Indiana, which is represented so ably by our friend the chairman of this subcommittee. The defense conversion grants administered by EDA would also be abolished.

When Wurtsmith Air Force Base was closed, along with the loss of 2,900 jobs, EDA provided a defense conversion grant to construct a pipeline to a new water source to provide technical assistance, market and to promote reuse of the base and to establish a revolving loan fund. What, if any, other similar results would occur in other States if the bill is enacted?

Secretary BROWN. Very similar results, Mr. Dingell.

As you know, EDA is the only Agency of the Federal Government that provides resources to economically distressed rural and urban areas, which again try to leverage Federal dollars to create private sector investment.

Mr. DINGELL. Could you give us the specifics of that, particularly with regard to other base closures which are now scheduled under the reports being submitted by the Base Closing Commission. I am sure there are a number of other States which face immediate and impending closure of bases. What would be the consequences?

Secretary BROWN. EDA plays a very important role in defense conversion, Mr. Dingell. It would have very traumatic negative impact all over the country.

Mr. OXLEY. The gentleman's time has expired.

I know the gentleman wants to submit some written questions for us.

Mr. DINGELL. Thank you. I will have some other questions, but out of respect for the Chair I am not going to ask them, but I think you understand where I am coming from and where I am going and why I think this is a bad proposal, Mr. Chairman.

Mr. OXLEY. I think I get the drift of the gentleman's position. The gentleman from Iowa, Dr. Ganske.

Mr. GANSKE. Thank you, Mr. Chairman, and thank you, Mr. Secretary.

It hasn't taken me all that long during my time here in Washington to realize that statistics are very important, and yet there is an old saying, "there are lies, damn lies, and statistics." One of the things I am interested in is whether we can improve statistical analysis in our government.

Mr. Chrysler, in his bill, talks about trying to take care of statistical agencies, and you are rather critical of this. If you don't like the Chrysler dispersal approach, would you be opposed to an alternative that consolidates various statistical groups?

The reason I am interested in this, is that it seems to me that when you are getting statistics from various different governmental agencies, there is at least a possibility of bias from the statisticians in those agencies from the viewpoint of how those statistics would affect their own agencies.

Would you care to comment on that?

Secretary BROWN. I believe that it would be perfectly appropriate to study ways that we might consolidate statistical gathering and dissemination agencies. It seems very appropriate.

The last thing I would do, though, is dismember them and send them all over the place. That would exacerbate the very problem that your question anticipates, but I think it is certainly worthwhile to look at proposals for consolidation of our efforts.

Mr. GANSKE. You would still need to have the statisticians who are very familiar with Commerce or USDA or all the other things that we need statistics on having to do the initial studies, but I am concerned about having statistical review of the methodology of those studies. I take it you would agree with that.

Secretary BROWN. I would certainly agree that that is something we ought to look at as a possibility for improving what we do.

Mr. GANSKE. Thank you. Now, the Secretary of Labor has been rather vocal and outspoken on corporate welfare, corporate subsidies. Possibly you and he have had rather interesting discussions on some of these areas. Let me just ask you, have you and the Secretary of Labor, Mr. Reich, had any talks about the USTTA?

Secretary BROWN. About USTTA?

Mr. GANSKE. Yes, as corporate welfare.

Secretary BROWN. No, we have not had talks about that specifically.

Mr. GANSKE. How about the ATP?

Secretary BROWN. We have had a lot of talks about ATP. As a matter of fact, they are represented very well in an op-ed that we wrote jointly that was published in the Wall Street Journal on June 26 that attempts to define, and I think does a very good job at defining what he means by corporate welfare and what isn't corporate welfare. We make it very clear that a program like the ATP program is not corporate welfare.

Mr. GANSKE. Okay, so the Secretary of Labor would exclude ATP from corporate welfare?

Secretary BROWN. He would exclude many things from corporate welfare. That is one of them.

Mr. GANSKE. Does he exclude EDA?

Secretary BROWN. He excludes those programs in the Commerce Department. We have had discussions about all of them.

Mr. GANSKE. So the Secretary of Labor would not classify any of the programs in the Commerce Department as, "corporate welfare"?

Secretary BROWN. No. As a matter of fact, I haven't heard many people classify EDA as corporate welfare. There have been other criticisms of EDA, but I haven't heard that criticism.

Mr. GANSKE. Now, there have been a number of major corporations in the country that have expressed an interest in not dissolving the Department of Commerce. I have a long list of 35 or so major corporations, Chrysler, Corning, and Rockwell, not to single out any particular company or even to infer that they are participants in some type of a program. These corporations are frequently singled out as being beneficiaries in one form or another, through various duplicative programs, of government subsidies in one way or the other.

How do you respond to the grass-roots support for the idea that if we are going to balance the budget, we have to be fair across the board. If we are looking at every segment of the society contributing in one way or the other, some of these major corporations may need to contribute to this effort to balance the budget.

Secretary BROWN. There is no question about that, and most of them do. I think what they are speaking to is how they evaluate the work of the Commerce Department, and whether we are in fact essential to American competitiveness, and they have concluded, as many small business people have, that we are essential to American competitiveness.

Mr. GANSKE. I appreciate your testimony.

I just would like 30 seconds, Mr. Chairman.

Mr. OXLEY. Without objection.

Mr. GANSKE. It will be important, I think for somebody who is new to this committee to look at all these various programs and come to some type of understanding of whether these programs can be combined or improved, or whether some have fulfilled their function.

And thank you for your testimony.

Secretary BROWN. Well, might I say, Congressman, I think that is absolutely appropriate. I think we ought to be doing that all the time, seeing how we can be more effective and to determine what consolidations are appropriate. It is that kind of thoughtful approach that I would certainly urge on this committee and other Members of Congress, not that we just kind of fly off into a direction that we are not sure what the results will be. That could lead to many unfortunate, unintended consequences. I might ask, Mr. Chairman, if I could have placed in the record a copy of the op-ed piece that was signed by Secretary of Labor Reich and myself on this whole issue of corporate welfare since the Congressman raised the issue with me.

Mr. OXLEY. Without objection.

[The news article referred to follows:]

[Monday, June 26, 1995]

NO 'CORPORATE WELFARE' ALLOWED ON OUR WATCH

Your May 31 article "Reich Outlines Plans of Cost-Benefit Tests for U.S. Programs" fabricated a division between us where absolutely none exists. It summarized, accurately enough, the Secretary of Labor's position (which is the position of the entire Clinton administration) that corporate subsidies without broader public benefits should be eliminated. But it then suggested, falsely, that the trade and technology programs of the Commerce Department merit the label "corporate welfare."

The administration has been and remains committed to getting rid of programs that aren't needed or don't work; this is nothing new. As we work to control the deficit, every spending item and every tax break must prove its worth. If a program or a special tax-code provision yields public benefits in excess of its costs, then it's justified; otherwise, it's not. In our complex economy, this test must be applied carefully, taking proper account of longer-term and indirect costs and benefits. But the basic principle—which we both enthusiastically endorse—is simple enough: It's wasteful to preserve inefficient programs, and equally wasteful to dismantle programs that work.

Many trade and technology programs score high marks. The Commerce Department's trade promotion effort, funded at about \$250 million a year, has helped business win export contracts worth almost \$25 billion in U.S. export content, supporting more than 300,000 American jobs, in the past two years. The network of Manufacturing Extension Centers now under construction will give smaller firms better access to technologies they need to modernize and compete.

In the current budgetary and economic environment, we must apply a clear-eyed analytical approach to spending programs and tax breaks—preserving and expanding what works, reforming or eliminating what doesn't, free of ideological blinders. Both of us—and the rest of the administration—embrace this principle, and invite others to do the same.

RONALD H. BROWN,
Secretary of Commerce.

ROBERT B. REICH,
Secretary of Labor.

Mr. OXLEY. The gentleman's time has expired.

The gentlelady from Arkansas.

Mrs. LINCOLN. Thank you, Mr. Chairman, and welcome, Mr. Secretary.

Secretary BROWN. Thank you.

Mrs. LINCOLN. I would have to agree, and I think we all would, with Dr. Ganske that there is certainly always room for improvement, and I guess my question after having seen Secretary O'Leary who came before this very committee and talked about what has happened in terms of streamlining and trying to eliminate waste in the Department of Energy, what you all have done at the Department of Commerce in terms of doing that.

Secretary BROWN. I would be glad to respond to that.

I indicated in my earlier testimony that some of the focus of our attention is where privatization is appropriate. We are now looking at privatization proposals for the Patent and Trademark Office, which I have indicated is already fully fee funded and the question is, is it appropriate now to take that next step.

We are looking at similar proposals with respect to NTIS, and we are looking at certain aspects of NOAA in terms of privatization. We think that that is an appropriate thing to do.

If the private sector can do it and do it effectively, then government should not be doing it. We certainly have no quarrel with that general proposition.

We are always looking at ways that we can reinvent ourselves, that we can consolidate, that we can do more with less. We have been working very closely with Vice President Gore on his reinventing government initiative, and as I have indicated, we are about to move into the second phase of that process.

Mrs. LINCOLN. What about travel and tourism?

Secretary BROWN. Well, travel and tourism is one that we haven't discussed yet today. I happen to think it is terribly important to America's economy and our economic future. I think it is a sector of the economy that is grossly underestimated.

Mrs. LINCOLN. It is growing pretty rapidly, isn't it?

Secretary BROWN. It employs 6 million Americans, and we kind of slough it off. I have heard people make jokes of it, oh, do you need to encourage people to come to the United States? Tourism is very competitive. Yes, we do need to encourage tourism, and that is one of the things that USTTA does, I think it does it well, and I think it is a shame that it hasn't had more support.

There is a White House conference on tourism this October. I think it is going to be an important vehicle for us relating to the American people the importance of travel and tourism to our economic future, and hopefully finding some way we can deal with it as a public/private partnership.

Mrs. LINCOLN. So there is work in terms of that public/private partnership?

Secretary BROWN. With the budget realities, there have to be. As you know, that Agency operates on an infinitesimal budget, it is \$12 million a year.

Mrs. LINCOLN. Not only is it important financially, I think, but also the play between the public/private sector is very important in terms of tourism.

The other thing you talk about, I know that several other agencies have similar activities as the Department of Commerce, so we talked about some repetitiveness, ways that you may have done partnerships with other agencies; in particular, Education. I have a real concern with our competitiveness. I think it is very important for Commerce and Education to be working so that we are educating our work force to be a player in the competitive market.

Secretary BROWN. I think you have identified a very important area of cooperation, and it particularly applies in the area of telecommunications, how Commerce, and NTIA in particular, can work closely with the Education Department. We have done one event at DOE to exhibit the kind of partnership that we think can pay real dividends in the delivery of educational services.

Mrs. LINCOLN. I just think that is going to be critical in the future as we see many of the programs showing us falling behind in how we are doing our apprenticeship programs, educating our work force to be competitive with international marketplaces.

The last question I would just like to ask concerns the National Weather Service, and I know others have talked about that. It is particularly important to my district because we do have our economy based on agriculture, and I guess in terms of privatization, as we talk about further cuts for the weather service, what information will remain for farmers whose livelihoods rely on the accurate weather forecasts and how can we depend or can we depend really

on the private sector being able to afford the expense of operating satellites if it is not—my understanding is there are no private satellites currently.

The cost is \$275 million to build satellites, \$50 million to launch them, not to mention the liability. We are talking about liability, potential liability associated with miscalculation of weather conditions, whether it be travel, air travel or agriculture related. I think that is a real key question.

Secretary BROWN. Your question is absolutely appropriate. The fact is, I know that it is very attractive to say privatize, privatize, privatize. There are some things, many things that are not appropriate for privatization, and you have identified one of them for the very reasons that you articulated in your question.

Mrs. LINCOLN. Not to mention national security.

Thank you, Mr. Chairman.

Mr. OXLEY. The gentlelady's time has expired.

Mr. Secretary, let me say on behalf of all the members of the committee, we appreciate your testimony, your patience and your steadfastness in staying in the chair for a rather long period of time. I know you love the Hill and you love to spend a lot of time up here, but this was above and beyond the call of duty.

Let me also say that as you know both houses passed a budget resolution dealing with the Commerce Department, and my sense is somehow, some way there is going to be legislation. We want to work with you to make certain that whatever we decide is based on fact and based on the best information available, and we truly appreciate you being here to testify and particularly because this is the first authorizing committee you have testified before.

I hope for your sake you don't have to testify before 11 authorizing committees. I would not recommend that, particularly if it goes anything like today, but we do appreciate your being here and with that we wish you Godspeed.

Secretary BROWN. Thank you, Mr. Chairman. It is a pleasure to be before you and Chairman Fields.

I certainly have appreciated the opportunity to testify on something that I know we all think is very important today and even more importantly, I look forward to working with you in the weeks and months ahead. Clearly, I know what happened in the budget resolutions. I also know what is happening in the appropriations process.

I am anxious to work very closely with Members of Congress on both sides of the aisle to make sure we do what is best for the country, to make sure we do what is best to assure long term economic growth and the creation of high wage, high quality jobs for our people. I think, Mr. Chairman, that no department in government does that more effectively than the Department of Commerce does.

I thank you for this opportunity.

Mr. OXLEY. Thank you. Thank you for your testimony. The Chair would announce that we want to go a little bit out of order here.

We only have one witness remaining who is from out of town, and since the definition of an expert witness is somebody from out of town, we thought we would bring Dr. Weidenbaum up to testify.

Dr. Murray Weidenbaum, who was Chairman of the Council of Economic Advisors under President Reagan and is now Director of the Center for the Study of American Business at Washington University in St. Louis, and I know Dr. Weidenbaum has to get back to St. Louis on a flight, so we will go out of order for his testimony, and he can be dismissed.

Dr. Weidenbaum, welcome to the committee, and you may begin.

STATEMENT OF MURRAY WEIDENBAUM, DIRECTOR, CENTER FOR THE STUDY OF AMERICAN BUSINESS, WASHINGTON UNIVERSITY

Mr. WEIDENBAUM. Thank you very much for your indulgence, Mr. Chairman, members of the committee. I will summarize shortly a very long statement.

The Commerce Department boasts that it is helping companies succeed in the global marketplace. Of course, the few, relatively few who benefit from the Secretary of Commerce personally opening doors for them think it is a great idea, but ladies and gentlemen, millions of other businesses, large and small, pay the taxes that finance the Department. They don't benefit from the personal attention, they don't benefit from the staff services.

I suggest the entire economy would be better off if the budgeted 39 percent increase in Commerce outlays, that is what is in the President's January budget, the 39 percent increase between 1994 and 1996, if that increase wasn't made and the savings used to reduce the deficit or cut taxes and thus increase the availability of private investment capital, that is what has been missing during the entire discussion, I believe, and that is if Commerce didn't spend the money, those funds, those resources would be available in the private sector.

Let me quickly go through the major functions of Commerce to see do they justify their existence.

Promoting technology. Unfortunately, converting the old National Bureau of Standards to a National Institute of Standards and Technology is a clear example of bureaucratic sprawl. The Agency's outlays are budgeted to rise more than 300 percent in the 2 years, 1994 to 1996.

The old bureau was a guardian of weights and measures. The new activities of NIST in the guise of promoting technology really give us industrial policy with the government selecting the winners and losers. There are better ways for encouraging technology. None involve this Department.

Tax credits for R&D leave the choice of technology with the individual business, which bears most of the risk. An even less expensive way of promoting technology is to reduce the government's regulatory barriers, and they are awesome.

By the way, Commerce is building yet another bureaucracy, the technology administration. This new staff is supposed to be, and I quote from the budget justification, "the focal point within the executive branch for an industry-driven process to address issues of competitiveness".

We already have an industry-driven process to promote competitiveness. It is the private marketplace. The technology administration should be eliminated.

Several technical bureaus could be moved elsewhere, as mentioned, Patent Office to Justice. NOAA, by the way, is the large but hardly economy-sized version of the old weather bureau.

It is an open question as to which of those functions should be privatized, but surely the host of subsidies to the fishing industry should be eliminated. As for the telecommunications administration, the move to deregulation reduces the need for this bureaucracy, but oblivious to the real world its 1996 budget request was more than double the amount spent in 1994.

Turning to trade, one Commerce Department brainstorm is particularly damaging, the idea that we are engaged in a trade war. Yes, trade is competitive, but competition is the best protector of the consumer.

I believe this is the first time that the consumer has been mentioned at these hearings, unfortunately. I make the comparison, in wartime we want to prevent trade with our enemies, in peacetime we want to promote trade and cultivate friendship.

I think the Department's war room should be closed down along with the extensive supporting staffs. Government could take actions to make U.S. firms more competitive. That is true, that is compelling. How?

Less taxation, less government deficit financing, fewer mandates, less burdensome regulation, hardly any of that involves the Commerce Department. As for travel and tourism, we had a thriving tourism industry before this Agency got going and we can have that industry thrive without this Agency.

As noted, EPA is the Department's pork barrel. Let me just note, one category, competitive communities.

EDA provides grants to bring business and public leaders together to identify jointly local challenges and develop strategy. They don't need an EDA grant to meet, but another pork barrel is the proliferation of Commerce overhead.

I have counted in the new organization manual 6 under secretaries, 7 deputy under secretaries, 13 assistant secretaries, 32 deputy assistant secretaries, plus counselors, special assistants, executive assistants, an associate deputy secretary, an assistant deputy secretary, and 1 associate under deputy secretary. I suggest some slimming down is long overdue. As for the statistical agencies, there is no reason to keep them in Commerce. Set them up as an independent, low overhead agency.

To conclude, as someone who started his career as an analyst in Harry Truman's budget bureau, I am here to bear witness to the fact that Congress has given more responsibilities to government agencies than they could possibly perform if they were staffed with Newtons and Einsteins. The truly effective way to improve the effectiveness and reduce the cost of government is not just to cut annual budgets.

Cuts can be reversed in the future. The best approach is to eliminate entire departments, agencies, and bureaus that have outlived their usefulness. Abolishing the Commerce Department would be a dramatic example of the Congress' ability to accomplish that difficult but necessary task.

Thank you very much.

[The prepared statement of Murray Weidenbaum follows:]

PREPARED STATEMENT OF MURRAY WEIDENBAUM,¹ CENTER FOR THE STUDY OF
AMERICAN BUSINESS

It may seem like an anomaly to urge eliminating the U.S. Department of Commerce at a time when its role and influence have become so visible. How can anyone oppose the continuation of a governmental department concerned with such important questions as international competitiveness, promotion of technology, economic development, and generation of key economic statistics?

Ironically, the heightened visibility of the Department of Commerce is a key to why it should be closed down. The current management of the department boasts that it is especially effective in using its vast resources to help individual companies succeed in an increasingly competitive global marketplace—and they are seeking an inordinate 39 percent budget increase from fiscal 1994 to fiscal 1996.

Of course, the relatively few who benefit from the Secretary of Commerce personally opening doors for them think this is a great idea. Millions of other businesses, large and small, however, pay the taxes that finance these programs. They do not benefit from this personal attention. In a nutshell, this whole process is unfair.

American business, indeed the entire American economy, would be far better off if these government expenditures were not made and the savings used instead to reduce the deficit or cut taxes—and thus increase the availability of investment capital to the private sector. The current process is a classic example of the government's traditional tendency to rob (or at least tax) Peter to pay Paul.

I propose to examine all those supposedly high-value functions of the Commerce Department. Let us take up each of them to see if they justify the Department's existence, much less its expansion.

Promoting Technology

In the last few years, the staid old National Bureau of Standards has been expanded to become the National Institute of Standards and Technology (NIST). It is a clear example of bureaucratic sprawl; the agency's outlays are budgeted to rise more than 300 percent just in the two-year period 1994-96. The traditional Bureau served as the guardian of weights and measures. This is a rather modest task which, perhaps, could be performed by a private sector organization, such as the National Academy of Science or the National Academy of Engineering.

It is the new activities of NIST that are truly objectionable. These rapidly rising outlays—in the guise of promoting technology—constitute the intrusion of "industrial policy" into the federal government's existing arsenal of business subsidies. We can recall that the basic problem with the industrial policy approach, and surely with NIST, is that the government selects the winners and the losers, choosing which specific industries and individual companies are to receive the contracts being awarded. There are alternative and far less intrusive ways in which technology can be encouraged—but none of them involves the Department of Commerce.

For example, tax credits for research and development leave the choice of technology projects with the individual business firm, which continues to bear the great bulk of the financial risk. It is sad to note that, in the last few years, Congress has been quicker to spend money than to extend the tax incentive. There is an even less expensive way of promoting technology—reduce the government's own numerous regulatory barriers that raise the cost and risk of new technological undertakings. The Environmental Protection Agency, the Occupational Safety and Health Administration, and all the other regulatory brethren should be forced to go on a crash diet.

Alongside NIST, the Commerce Department has built another bureaucracy, the Technology Administration. The fiscal year 1996 budget tells us that this relatively new staff function "is the focal point within the executive branch for an industry-driven process to address issues of competitiveness." The United States already has an "industry-driven" process to promote competitiveness. It is called the private marketplace. The Technology Administration is a compelling example of the bureaucratic response to the issues of the day, which should be quickly eliminated.

There are several technical bureaus in the Department of Commerce that could well be slimmed down and then moved to other departments. For example, the Patent and Trademark Office's staff of patent attorneys and their assistants could comfortably be housed in the Justice Department. The National Oceanic and Atmospheric Administration is the large, but not economy-size, version of the old Weather

¹Murray Weidenbaum is chairman of the Center for the Study of American Business and Mallinckrodt Distinguished University Professor at Washington University in St. Louis and a former chairman of President Reagan's Council of Economic Advisers. The views expressed are his own.

Bureau to which has been added miscellaneous activities such as Marine Fisheries. NOAA's estimated 1996 outlays total \$2.1 billion. To the extent that these are properly public sector functions—and that is a question worth examining—they could just as easily be assigned to the Department of the Interior, given its concern with natural resources.

As for the National Telecommunications and Information Administration, the move to deregulation should reduce the need for this relatively recent creation (1978). In contrast, its 1996 budget request of \$88 million is more than double the amount it spent in 1994. Its proliferating grants programs sound like attractive candidates for the budgetary axe. If telecommunications research and development should be fostered by the federal government, the dollars will go further if the program has to compete for space in the National Science Foundation's budget. The present alternative means that a special interest bureau retains the responsibility for directing this portion of private sector innovation.

Promoting International Trade

There is one Commerce Department brainstorm that is particularly damaging, namely the idea that the United States is engaged in a "trade war" with the nations with which we otherwise maintain friendly relations. The Department's "war room" should be closed down.

Yes, trade (domestic as well as international) is competitive. After all, competition is the most effective protector of the consumer. Efforts to reduce our trade deficit should not ignore the fact that each import—and export—is a voluntary economic transaction. In wartime, we want to prevent trade with our enemies. In peacetime, we promote trade, thereby cultivating friendship. Apparently, the Commerce Department has forgotten that basic distinction.

Another fundamental distinction too often overlooked is that nations make war but, by and large, it is individual companies that export and import goods and services. Theirs is the challenge to maintain and enhance global market shares. Of course, the federal government could take many actions to make U.S. firms more competitive. Hardly any of them involves the Commerce Department. The competitive strength of American companies would be enhanced by less taxation, less government deficit financing, and a reduced array of expensive mandates and regulatory requirements.

To the extent that some small portion of the trade-oriented activities of the Department is informational rather than "industrial policy" subsidies, it could be performed by other departments. The commercial attaches should be attached to the State Department. In each country, the trade attaches report to the U.S. ambassador, who is a State Department official.

As for the Travel and Tourism Administration, that entire agency is a subsidy to a healthy industry that operated on its own before this bureau was established. It can do so again and save the taxpayer \$17 million in 1996.

The Pork Barrel

The Department of Commerce operates its own pork barrel. It is called the Economic Development Administration (EDA). Grants by EDA have been politically popular because they are a way to finance local projects at someone else's expense—the national taxpayer. Currently, EDA provides eight different categories of grants and other financial assistance to the fortunate localities it selects. The most cursory examination of the budget justification shows the results of combining the worst aspects of the political and bureaucratic processes.

For example, the eighth category is devoted to "competitive communities." In these cases, EDA provides "transaction-based grants, through intermediaries, for private sector business projects that advance the competitiveness of local economies, bring together business, community, and public leaders to identify jointly the local economic challenges and develop the best strategy to meet these challenges."

This is a mouthful even for experienced practitioners of gobbledygook. If the leadership of a community wants to meet, it can do so without the disbursement of an EDA grant. EDA should not be cut back. It should be abolished. That overdue action would save taxpayers \$427 million in 1996 (a whopping 84 percent increase over 1994).

A less visible pork barrel has been established in recent years—in the form of a tremendous proliferation of overhead staffs. This trend of enhanced governmental liberality stands in dramatic contrast to the contemporaneous efforts in the private sector to cut back on such activities and to flatten organizational hierarchies. Here are a few of the staffs currently budgeted for the Department of Commerce (they are in addition to the operating bureaus, each of which has its own set of staffs): Office of Policy and Strategic Planning; Office of White House Liaison; Office of

Technology Policy; Office of Space Commerce; Office of Business Liaison; Office of Consumer Affairs; Decision Analysis Center; Office of International Policy; Office of Manufacturing Competitiveness; Office of Technology Competitiveness; Office of Policy Analysis; Office of Macroeconomic Analysis; Office of Economic Conditions and Forecasting; Office of Business Analysis.

Of course, a host of bureaucratic luminaries—in addition to the Secretary and Deputy Secretary—is needed to supervise this galaxy of staff activities. The latest U.S. Government Organization Manual lists, for the Commerce Department, an extensive array of six undersecretaries, seven deputy undersecretaries, thirteen assistant secretaries, 32 deputy assistant secretaries, plus an assortment of counselors, special assistants, executive assistants, an associate deputy secretary, an assistant deputy secretary, and one associate under deputy secretary. How gratifying it would be to the taxpayer to learn that this set of supernumeraries was stricken from the government's payroll.

Statistics

The Department of Commerce also houses two statistical agencies, the Bureau of the Census and the Bureau of Economic Analysis (BEA). The numbers generated by these two professional groups are widely used throughout the nation, but there is no compelling reason for attaching them to the Commerce Department. In the past, the Departments of Treasury and Interior provided homes for bureaus not conveniently fitting in other departments. Treasury would be a more sympathetic location for the statistical compilers. In contrast, Interior might just leave them alone. A case can be made for either location.

Alternatively, Census and BEA could be set up as an independent statistical agency. The Bureau of Labor Statistics could be moved out of the Labor Department and join them, along with the statistical review functions of the Office of Management and Budget.

A Useful Precedent

Conservatives urging dismantling the Department of Commerce may be akin to the notion of man bites dog. Given the current interest in curbing business subsidies, the Commerce Department is the logical place to start—and to demonstrate the genuine desire to curb all government subsidies and other low-priority outlays.

But the point to emphasize is that Commerce is the place to *start*. An equally strong case can be made for subsequently closing down the Department of Energy. The supposed energy crisis that justified its establishment and its regulatory functions is no longer in evidence. Any regulations that linger on should be given an honorable discharge.

Subsidies are not limited to business. Very large subsidies are provided by other departments, most notably the Department of Agriculture. Few of these outlays go to small family farmers. Most of the largesse is received by giant agricultural enterprises. In a period of fiscal belt-tightening such as the present, farm subsidies are also an attractive target for the budgetary axe.

Along these lines, Labor Secretary Robert Reich has registered a newly found interest in cutting business subsidies which, in his usual scholarly manner, he refers to as corporate welfare. I agree that a strong case can be made for cutting these federal outlays. But why ignore the wasteful subsidies and other unproductive outlays in the Department of Labor?

A serious effort to curb subsidies should surely extend to the pernicious Davis-Bacon Act. That relic of the 1930s needlessly pushes up the cost of government construction. The required weekly reports by each government construction contractor exemplify the government's paperwork shuffling at its worst. Eliminating the Department's busybody Office of the American Workplace would also help achieve economy in government.

Conclusion

I would like to conclude on a positive note. It is vital that government performs well the tasks that society assigns it. The problem today is that more responsibilities have been given to government than it can possibly perform to any degree of satisfaction. If the federal establishment were staffed with Newtons and Einsteins, it would not be up to the task. Doubters should turn to pages of the United States Government Manual and see the almost endless array of agencies, bureaus, and divisions. The challenge is to focus the public sector's resources in the most critical areas and to leave to the private sector matters better handled there.

From this viewpoint, it is sad to report that the fiscal year 1996 federal budget recommends that the outlays of the U.S. Department of Commerce should rise from \$3.0 billion in 1994 to \$4.2 billion in 1996 (see table). This is a 39 percent increase in a two-year period. After a brief slowdown in 1997-1999, the Department's spend-

ing is projected to zoom to \$7 billion in the year 2000. Even after allowing for the decennial census in that year, this anticipated fiscal generosity leads to one conclusion: the Congress should halt this blatant attempt at empire building at the taxpayers' expense.

The effective way to reduce the cost and obtrusiveness of government is not just to make modest cuts in annual budgets. Although helpful, such marginal changes can readily be reversed in the future. The best approach is to eliminate entire departments, agencies, and bureaus that have outlived their usefulness. Abolishing the Department of Commerce would furnish a dramatic example of the Congress's ability to accomplish that difficult but necessary task.

Expenditures by the U.S. Department of Commerce

Fiscal Years (dollars in millions)

Bureau or Program	1994	1996 Projected	Percent Change 1994-96
National Institute of Standards and Technology	\$167	\$740	+343
Technology Administration	6	13	+117
National Telecommunications and Information Administration	42	88	+107
Economic Development Administration	232	427	+84
Patent and Trademark Office (net of fees)	49	88	NA
Export Administration	34	47	+38
Bureau of the Census	250	315	+26
Economic and Statistical Analysis	46	56	+22
Minority Business Development Agency	41	49	+20
General Administration	49	59	+20
International Trade Administration	234	266	+14
National Oceanic and Atmospheric Administration	1,860	2,057	+11
Travel and Tourism Administration	25	17	-47
National Technical Information Service (net of fees)	2	2	NA
	\$3,037	\$4,224	+39

Source: Budget of the United States Government, Fiscal Year 1996

Mr. OXLEY. Thank you, Dr. Weidenbaum, for your testimony. In view of the fact that you do have to go back to St. Louis, the Chair would ask unanimous consent that all members be permitted to submit questions in writing to Dr. Weidenbaum. Without objection.

Mr. MARKEY. Can I ask one quick question?

Mr. OXLEY. The gentleman may very quickly. I knew you wouldn't disappoint.

Mr. MARKEY. What time is your flight, sir?

Mr. WEIDENBAUM. I have an 8:30 flight. I have to get to my hotel to get my baggage. I have no transportation.

Mr. MARKEY. What hotel are you at?

Mr. WEIDENBAUM. Excuse me?

Mr. MARKEY. What hotel are you at?

Mr. WEIDENBAUM. The Madison. I have a special cut rate.

Mr. MARKEY. Okay. That is great. Competition at the height of the tourist season here. I just don't want him to miss his flight.

But if we were to eliminate the Commerce Department and the Energy Department, the Department of Agriculture would be the last remaining cabinet Agency responsible for domestic economic function. Would you recommend its elimination as well?

Mr. WEIDENBAUM. I would start by phasing out over a 4 to 5 year period the farm subsidy program which goes mainly to the large organized farmers, very little of it going to the family farm. By the way, I wouldn't ignore the subsidies in the Labor Department. I am surprised that Secretary Reich with his great interest in welfare,

business welfare ignores the union welfare implicit in, say, the Davis-Bacon Act.

Mr. MARKEY. You would recommend to the freshman Republicans, though, that they begin the process of abolishing the Department of Agriculture as well; is that correct?

Mr. WEIDENBAUM. Well, I wouldn't be hasty.

Mr. MARKEY. I didn't think you would be.

Thank you. I yield back the balance of my time.

Mr. OXLEY. The gentleman yields back.

Again, Dr. Weidenbaum, many thanks for your testimony.

We now turn to our Chairman of the Subcommittee on Telecommunications and Finance, this is a joint hearing, and allow the gentleman from Texas to introduce our next witness.

Mr. FIELDS. Thank you, Chairman Oxley.

I want to apologize to our guests for not being here throughout the hearings today. I was detained in Houston, but I do want to welcome our good friend, the Honorable Larry Irving, certainly no stranger to this subcommittee, to the members of the full committee. The Under Secretary for Communications Information, U.S. Department of Commerce, Mr. Irving, we will be glad to receive your testimony.

STATEMENT OF LARRY IRVING, ASSISTANT SECRETARY FOR COMMUNICATIONS AND INFORMATION, NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION, DEPARTMENT OF COMMERCE

Mr. IRVING. Thank you, Mr. Chairman. I have a complete written statement I would like to have included in the record, but I will try to briefly summarize.

Mr. FIELDS. Without objection.

Mr. IRVING. Thank you. The importance of the Department's mission was eloquently stated by Secretary Brown, so I am going to talk mostly today about NTIA's mission, and according to our enabling statute we serve as the principal adviser to the President on telecommunications and information policy.

And I think it is important to note that the telecommunications and information body for the executive branch, for the President is NTIA, not the Federal Communications Commission. The FCC is an independent body. It does not serve the President and it should not serve the President.

We are working throughout the world to depoliticize telecommunications, to move it from government oversight, and we believe that we need a strong independent body in the FCC but also a strong executive branch voice on telecommunications.

How important is telecommunications?

In 1995, one-half of all the capital investment in this Nation will be in communications and information technologies. Telecommunications and information industries comprise 10 percent of our gross domestic product today. It is estimated that 20 percent of our gross domestic product by the turn of the century will be telecommunications and information technologies. The global information industry will be \$3 trillion per annum by early in the next century.

There are questions about what NTIA does. Mostly what we do is we represent the President, we represent the President of the

United States before the FCC. I have testified more than a dozen times before the House and the Senate on behalf of the President and the executive branch, and we also file letters before the FTC and other governmental entities. On domestic issues, you would not have video dialtone but for NTIA.

With regard to auctions, you have been told about the \$9 billion in auction revenues. Those auction revenues are the result of activities by NTIA. We promoted the concept of auctions, we pushed legislation for auctions.

When the FCC was asking for our methods as to how to run the auctions, we gave them input. The auction proposal we sent them looks a lot like the electronic auctions they have today.

They couldn't make a determination whether they should use 20 megahertz for PCS or 40 megahertz block for PCS. We came up with the compromise of 30 megahertz. Now, obviously that didn't take Solomon-like minds, but the FCC had questions whether or not that was technologically feasible, and NTIA did the hard research to demonstrate that 30 megahertz blocks were in fact technologically feasible.

On international, Mr. Chairman, you and Congressman Tauzin just came back from Latin America. You know better than anybody else that while we have roughly 300 million consumers in this country, there are 4 billion consumers of telecommunications services globally. Virtually none of them have private enterprise providing the telecommunications.

In virtually every other nation around this globe, telecommunications is owned by the government. NTIA is busily going around the world trying to open up markets by reforming telecommunications legislation. The Latin American telecommunications summit in Chile this year, we brought 11 ministers from around the hemisphere together to talk about liberalization and privatization.

The G-7 summit, 2 years ago, if I told you that our biggest trading partners, virtually all of whom had State-owned monopoly telecommunication services, would agree with the United States on privatization and competition and open access, you would have thought I was fooling you. But in March of this year, all of those nations signed on to a historic document saying open up the market, let's talk about competition. NTIA was the lead negotiator for the United States at the G-7 conference.

When we are talking about Europe, I just got back from talking about opening up markets. We are going to do another G-7 summit in Durbin, South Africa next year to open up developing countries as well as our largest trading partners.

Our labs. People said what do our labs do. Let me give you one great example of what our labs do.

Last week, we all heard a horrifying story about a family that was murdered, 5 people murdered in that family. How did the police find those 5 people? Because when the murderer, the alleged murderer called, he called the police station they were able to identify where the house was. That is using a technology called E911 or Enhanced 911. That technology was developed in large part in Federal labs by NTIA.

Whether they are talking about standards development or spectrum interference, all that is done at NTIA's labs.

What is great about those labs? Only 30 cents out of every dollar they spend are appropriated dollars. The rest of the people spending money because of the quality of those labs and paying for the services of those labs.

We are talking about spectrum, efficient use of spectrum, NTIA is at the forefront of making sure that our Federal Government uses the spectrum more effectively, more efficiently.

What are we doing? When you asked us as a Congress to give you 200 megahertz for private sector use, 4 times the amount of spectrum used by cellular technology across this country, you asked us for 200, we came back on time, and we gave you a dividend. We came back with 235 megahertz worth of spectrum.

We are still trying to find additional spectrum, take it away from the Federal Government users and give it to private sector users. We also note we have \$137 billion invested in technology that government uses right now to use the spectrum. We have got to find a way to replace that.

If we move to the Defense Department, how do we replace that? We are trying to work with the Defense Department, all of our national security, balancing their need for spectrum with the private sector's need for spectrum.

Let me talk briefly about grants. We wouldn't have public broadcasting in many communities, but for NTIA. We wouldn't have descriptive video. We wouldn't have closed-captioning but for the grants of NTIA.

Mr. Chairman, tomorrow my Agency is going to release a study on universal service. We are going to demonstrate that around this country there are communities that don't have access to high tech, if you are rural, if you are poor in an urban area, you are less likely to have advanced telecommunications services.

NTIA's grant program helps get that technology out to areas that need it, we are talking connecting hospitals and libraries and schools, so that in places in this country with telephone penetration below 28 percent and places in this country where people don't have access to computers at home, they can go to their community, they can go to the community center, they can go to their school, they can go to the library.

I am a product of public schools. I am a product of the public library, we didn't have a lot of books in my home. But I could always go to the library.

Well, today a kid needs a computer. What the library did for me by giving me books the library has to do tomorrow by giving kids access to computers. That is what our grant programs can and should do.

Finally, Mr. Chairman, this committee in 1992 adopted a finding in the NTIA Authorization Act. This committee said that there is a critical need for competent and effective telecommunications information and research and analysis and national and international policy development advice and advocacy by the executive branch of the Federal Government.

I would submit, Mr. Chairman, that nothing has changed since 1992. In fact, the voice of NTIA is even more necessary today than it was in 1992 because of all of the dramatic changes. We didn't know about the Internet. We didn't have a G-7 process. We didn't

have Latin American telecommunications summits going on in 1992. We do today.

We need to keep NTIA. Any proposal to eliminate it I think is a disservice to the American people.

Thank you, Mr. Chairman.

[The prepared statement of Larry Irving follows:]

PREPARED STATEMENT OF LARRY IRVING, ASSISTANT SECRETARY FOR COMMUNICATIONS AND INFORMATION, NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION, DEPARTMENT OF COMMERCE

Mr. Chairman, members of the Committee. It is a pleasure to be here today to discuss the work of the National Telecommunications and Information Administration, an agency within the Commerce Department, which I have had the privilege and honor of heading since 1993.

I would like to start my remarks by underscoring a point made by Secretary Brown earlier today. The Secretary said that proposals to dismantle the Commerce Department and scatter its functions among different agencies is "tantamount to unilateral disarmament in the battle for global competitiveness." As the Secretary noted: "Such an approach will leave us less able to compete and undermine our economic security."

Efforts to dismantle the Commerce Department are extremely short-sighted. The Commerce Department's mission to help stimulate innovation at home and boost U.S. exports overseas is crucial to enabling this country to compete in the global marketplace. Doing away with Commerce and shuffling its functions around to other agencies and departments makes little economic or policy sense. Such an action would weaken our ability to meet the internationally competitive demands of the 21st century, hurt our economy, and send the wrong message to the nation and world.

Nowhere is the short-sightedness of the goal to eliminate Commerce more apparent than in the area of telecommunications and information technologies. These are the markets of the future, both at home and abroad.

Today, I will highlight NTIA's key operations that are essential to promoting continued growth in these critical areas. NTIA's international and domestic policy operations, its spectrum functions, and its efforts to ensure widespread access to the benefits of advanced technologies are interconnected elements that will help the U.S. maintain its global leadership and remain competitive worldwide.

In 1995, one-half of all capital investment in America, broadly defined, will be in computers and telecommunications. By the year 2000, telecommunications and information-related industries will account for approximately 20 percent of our entire U.S. economy. And by the early 21st Century, the global information industry is expected to reach \$3 trillion.

Telecommunications and information issues are dynamic, they are multi-disciplinary, and they are complex. The Nation needs the expertise of the National Telecommunications and Information Administration to continue to lead in this area and to ensure that the benefits of the Information Age reach all Americans.

As Secretary Brown noted, our economic success depends on our being able to compete around the world. We cannot do so if other countries continue to protect their monopoly telecommunications providers, but we will be tremendously successful if they open their markets to competition.

Last week, I participated in bilateral negotiations in Brussels where we discussed the opening of European markets to competition. The United States helped establish a specific timetable for the steps needed to move toward a telecommunications system with many providers. The day after our meeting, the European Commission adopted an accelerated telecom liberalization timetable. This will directly benefit U.S. companies who are eager to compete and invest abroad.

As Administrator of NTIA, I have spent the last two years on similar missions, working to convince other countries to dramatically change the way they operate their telecommunications networks to encourage more openness so that U.S. businesses can compete. I have spent countless hours with my counterparts around the world discussing, debating, and persuading them of the benefits of competition and the technical and policy changes necessary to get there.

These efforts have already resulted in benefits for U.S. companies. For instance, as a result the Department's participation in the Latin American Telecom Summits, U.S. companies have secured hundreds of millions of dollars worth of contracts. NTIA's efforts to encourage adoption of procompetitive policies in Eastern Europe have also paid off. In the past two years, both Hungary and the Czech Republic

have privatized their state-owned telephone companies. Privatization, while only an initial step, puts these two former Communist states ahead of many nations. And, in the meantime, two U.S. firms, and their employees, are benefitting—Ameritech in Hungary and AT&T in the Czech Republic.

Every nation I meet with has a ministerial level officer for telecommunications. In most countries, the government owns the telecommunications system. My official government position enables me to discuss with officials from these governments the fundamental structural, technical and policy changes that will be necessary to their telecommunications infrastructure and help bring about a competitive global marketplace in telecommunications.

Some have argued that the U.S. Trade Representative could perform these functions. While USTR does an outstanding job in removing barriers to U.S. goods overseas, that agency cannot do the job of NTIA. It does not have the depth of expertise in telecommunications that NTIA has. In fact, it often relies on the expertise of NTIA and the Department. Our relationship with USTR is one of many instances in which the Department of Commerce provides economic, sector and country specific expertise that is critical to effective work at the international economic negotiating table.

NTIA's work in the international arena also involves securing radio spectrum for new, emerging telecommunications technologies. NTIA is working through international organizations to make sure that there is enough space set aside for new innovative satellite services such as Globalstar, Iridium, Teledesic, and Odyssey. This is the next generation of communications technology, promising consumers more choice and lower prices, and the U.S. companies have leadership positions in the development and implementation of such systems.

Mr. Chairman, these new systems will not be developed unless we secure orbital slots for their satellites, and that requires agreements with other governments. In addition, in these international arenas, NTIA secures necessary spectrum for important government uses including those affecting national security and public safety. The need to coordinate with and obtain approval from other governments will become even more important as we move into an era with greater reliance on international communications and satellite-based systems.

While playing an important role in promoting competition overseas, NTIA also works hard to advance new opportunities for businesses and consumers at home.

NTIA developed and promoted the spectrum auction policies that have provided the basis for the FCC's recent spectrum auctions for personal communication services, the next generation of cellular phones and other technologies. It is estimated that these auctions will bring in \$9 billion to the Federal treasury.

As manager of the Federal government's spectrum, NTIA works hard to get Federal users to use their radio frequencies more efficiently. Our efforts have paid off. We have identified 235 MHz of Federal spectrum to be transferred to the private sector to spur innovative services. It's worth pointing out how significant this amount of spectrum is. . . today's entire cellular telephone industry is allocated only 50 MHz.

The bills to dismantle Commerce would abolish NTIA but transfer NTIA's spectrum management functions to the FCC. This would be a serious mistake. The FCC is an independent regulatory body that manages the commercial use of spectrum. Transferring management of the Federal spectrum to the FCC would raise concerns regarding interference with the President's constitutional authority, particularly with respect to the national defense and foreign affairs.

We have been promoting more efficient spectrum use by these agencies, and more can and will be done. However, it makes no sense to throw agencies with national security and public safety requirements for spectrum into direct competition with commercial users. Critical government functions must be kept separate from the commercial allocation decisions made by the FCC.

Some people have suggested that the FCC could do NTIA's job, not only in federal spectrum management, but in international and domestic policymaking. But this runs counter to longstanding U.S. policy and growing international consensus that the Executive Branch should not have direct regulatory authority the telecommunications industry. The logic for this separation is sound. It is designed to limit political influence on important regulatory decisions.

As the President's adviser on domestic and international telecommunications issues, NTIA uses its technical and policy expertise to ensure that the public benefits from any changes in telecommunications policies and laws.

NTIA is currently working to ensure that all Americans benefit from advanced technologies and that no one is left out of the Information Age. The agency currently administers three grant programs that serve as catalysts for connecting people to computer networks who would not otherwise be served by commercial providers, and

for advancing important educational services that also are not provided by commercial entities.

Through our grants, NTIA has, for example, assisted states such as North Carolina in linking physicians in rural hospitals with major medical centers in the state for emergency care. We have funded the development of distance learning programs in rural areas in 15 Western states. And our grants to public television and radio have provided the hardware for Alaska Public Radio to reach remote communities with no access to daily newspapers or television. Among the most successful and highly regarded children's educational television programs, Storytime and Ghostwriter, were created through a small grant from NTIA.

Mr. Chairman, the Commerce Department and NTIA both serve vital roles. All organizations should be subject to continued scrutiny to ensure that they are operating efficiently and effectively. Unnecessary functions and activities should be eliminated and privatization should be utilized where appropriate. But we should not—must not—eliminate programs and responsibilities that are critical to our economic future. With a budget of roughly \$100 million, NTIA works very hard to spur innovation and job creation and promote a competitive marketplace that will result in more choices and lower prices. The American people are being well-served by NTIA and the Commerce Department.

Mr. FIELDS. Mr. Irving, I think that is about as fast as I have ever heard you speak.

Mr. IRVING. That is pretty fast.

Mr. FIELDS. And perhaps as passionately. Again, I want to emphasize that you are among friends.

Having worked with all of us for many years, and let me just ask, suppose that we did not eliminate NTIA. How would you restructure the Agency? Because certainly, we have been asked to find ways to save money, to look at every aspect of government to make it more efficient. If it were to be eliminated, how would you restructure it?

Mr. IRVING. We are busily restructuring every day, Mr. Chairman.

First, I should note that the levels that came out of the Appropriations Committee are about a \$30 million reduction from our appropriated levels from this time last year, maybe \$40 million. For example, through our PTFP grants program, Congress is giving us more funding than we are asking for.

We could take a reduction in our PTFP program. The President asked for \$10 million; we got \$19 million through the appropriations process in the House. Just last year we cut 20 people out of the labs, 20 FTE's out of my labs. I am busy looking at my Annapolis operation, by using new technology and upgraded technology to see if we can restructure and also reduce size there.

When you look at NTIA, 100 people out of 300 are in our labs in Boulder, 100 people out of 300 roughly are doing spectrum management, that leaves me 100 people to do all of our G-7, all of our advocacy before the Congress, all of our advocacy before the FTC at a time when the telecommunications bill alone will keep my staff very busy responding and doing filings.

We will restructure, we can downsize, we need to do it in a gradual and reasoned fashion.

Mr. FIELDS. Let's go back to PTFP just a second. What is your bare bones number?

Mr. IRVING. At PTFP, the bare bones number that is the number the President asked for, \$10 million. At \$10 million we could do an adequate job, I believe. I heard somebody behind me saying some-

thing. I didn't know if I had misspoken. I believe we asked in our budget last year for \$10 million.

Mr. FIELDS. Let me ask very quickly in regard to spectrum. Let's not focus on just your Department, but if the entire Commerce Department were eliminated, where would you put the responsibilities for the spectrum?

Mr. IRVING. I think that the responsibilities for the spectrum have got to stay in the executive branch. This is a very delicate dance that goes on.

Of course, the private sector wants more and more spectrum. That is the FCC's principal constituency.

What I try to do is balance the needs of national security. Give you an example of what we did, when we went down to Haiti last year, we had to clear some channels for 2 reasons: (1) for military preparedness so we could talk between ourselves, and (2) so we could inform the Haitian people we were coming down there.

When there are hurricanes, we are busily trying to make sure that we have channels so that people around this country can know about the prospect of a hurricane hitting them. We have national security and law enforcement obligations.

We are directly responsive to and responsible for the activities of the President in that regard. That is not the FCC's mandate and shouldn't be. We have got to maintain spectrum management of our Federal law enforcement, national safety, the defense posture in the executive branch of the President, can make sure he or she in the future can do what needs to be done when it needs to be done.

One correction, my staff just let me know that we could actually save \$2 million more because the President asked for \$7.95 million and not \$10 million for PTFP, so I can give you another \$2 million worth of savings, Mr. Chairman.

Mr. FIELDS. Let me continue on the spectrum for just a moment because, as you know, there is a debate that has been initiated as to whether the entire spectrum should be privatized. Of course, if it is privatized, then there is much less need to manage what would be in the private sector as a property right.

What is your comment?

Mr. IRVING. I don't know how you would do that for the Federal Government. I will give you an example. There is a band called the war fighting band. It is below 400 megahertz when Captain Scott O'Grady was found when his plane went down in Bosnia not too long ago. He was found by using a frequency in that war fighting band.

We have to make sure that war fighting band works all across the globe, it doesn't just work in the United States, it works in Europe, it works in Africa. Everywhere our soldiers are at risk, they know that they can send a signal up through that band.

If you privatize it, how do you make sure that across the globe you have those same kinds of opportunities? If we privatize telecommunications spectrum in this country, what happens when other countries seeing a cash cow start extorting our domestic companies? We have the lead in wireless technology. We have the lead in satellite technologies.

If we privatize in the United States, what is going to keep any nation out there saying you want to do satellite technology here, you are the richest country in the world, we are going to charge you more. We will then lose our lead. Companies like Loral and Motorola, GlobalStar, even Intelsat and Inmarsat. If we start down the road of privatizing every bit of spectrum and the rest of the world follows us, there could be consequences.

We have to give considerable thought to what the implications are for our domestic lead and our international lead in terms of these telecommunications technologies.

Mr. FIELDS. Of course, the response that is going to be given to you by those who advocate privatizing spectrum is that as you roll out more spectrum, there is of course greater use, new technology, more applications, and the consumer benefits. And that that in itself is such good public and social policy, that in this particular instance other countries would follow that lead.

Mr. IRVING. But the laws of physics will still remain. There will still be interference questions.

Two people can't be on the spectrum at the same time. I will give you an example. We have AWACS running around this country on our coast that still interfere with garage door openers.

Despite the best efforts of the FCC and NTIA and the Defense Department and commercial manufacturers, we still have problems with interference, just on that level. There are many other interference levels.

Talk to people who live near an electric bridge about how well they get television signals because of electromagnetic interference. We can privatize, but you are still going to need somebody to manage it, to make sure that things work the way they are supposed to.

I am worried mostly about national security. I am worried about law enforcement. Those are my constituents. I don't want to do anything that interferes with the FBI, the Defense Department, the Coast Guard, the weather service, their ability to do their job for the American people. I want to go very slow in a very measured fashion to make sure we can do what we need to do to protect our people.

Mr. FIELDS. Thank you, Mr. Irving.

Mr. IRVING. Thank you, sir.

Mr. FIELDS. The gentleman from Massachusetts, Mr. Markey.

Mr. MARKEY. Thank you, Mr. Chairman.

Larry, I worked with you every day for 6 years and I forget how much you know about all these issues. It is absolutely impressive. People do forget the many roles which the Federal Government has to play in so many issues from defense to weather and resolving conflicts amongst other various commercial uses of spectrum, among many other functions which you have responsibility for.

Now, there is an NTIA grant program for the national information infrastructure planning and demonstration profits through nonprofit entities. Last year you were awarded \$24 million to help schools and libraries and local governments and other nonprofit organizations.

This year there will be \$45 million. The House Appropriations Committee last week at full committee passed out \$40 million for

next year, which is considerably less than the \$100 million which was requested.

There is going to be an attempt to cut this program to the core out on the Floor of the House.

What would the impact on the public be if that were to occur?

Mr. IRVING. I think it would be tragic. I think the impact would be, it would really hit rural Americans, it would hit inner city Americans more than anyone else.

What this grants program has done, we have pulled together the private sector and the public sector. I heard Mr. White say that the public sector is always a big brother.

Well, that is not the case. In these instances, it is the public sector that is driving it. We have 1,600 applications this year pledging \$680 million worth, they would like \$680 million worth of aid from us.

They have got \$1.2 billion they have come up with of their own. What are they going to do with that? They are going to do things like they did last year.

You know, 81 percent of Alaskan residents will have access to the Internet somewhere in their community because of our grant program last year, 500 tribes of Native Americans are going to be connected to the Information Superhighway, rural Oklahomans, rural North Carolinians, rural Pennsylvanians will have access to distance medicine because of our grants program.

That is just 5 programs that we did with the \$24 million. We have another 90 programs on top of that that we did with the \$24 million.

Libraries are going to be connected. If the proof of the pudding is in the eating, we gave two grants last year that were national awards winners, we gave one grant to Charlotte, North Carolina for a prototypical program that connects hospitals, libraries, schools, community colleges in Charlotte, North Carolina.

What is great about it is they have demonstrated how this technology can and should be used. We are building a database, there are communities that aren't going to get grants from us.

I was in Palo Alto 2 weeks ago, met a woman from Sacramento. She is coming in and saying we may not get a grant but we are going to come to you for advice. I was telling her that was exactly right.

Whether or not you get a grant from NTIA, we will have a database for advice. What I am going to be able to tell her is if you have an old outdated computer, you can use that computer as a router. Things we found out by a grant we gave last year, old 286 computers that people were just trashing all over this country can be used as routers.

How did we find that out? Because Charlotte, North Carolina, is using them as routers in their new projects. If we are going to get this Nation connected, if we are going to make sure that every American has access to information technologies, this grants program is essential as a database.

Mr. MARKEY. Let me ask you another line of questions, that is the distinction between the Federal Communications Commission and NTIA in terms of export opportunities for companies in the United States, the market opening initiatives which you undertake

and contrast that with the FCC's mandate in terms of their role here domestically.

Mr. IRVING. The FCC is a regulatory Agency. Their responsibility with regard to international dovetails with their responsibility for domestic. When they are looking at, for example, the MCI deal or the AT&T deal or the Sprint deal, they are looking at it from how, what does it mean in terms of this market. The only thing they can look at is does market access over there influence market access over here.

NTIA has a much broader mandate. We are running around the world literally, Africa, Asia, Europe, asking people to open their markets and look at telecom reform, and using this market as an indicator of what can happen. This is what happened in the private sector.

We represent the U.S. President and government to government is the only way this is going to happen, and most countries around the world are not sophisticated enough to know that the FCC doesn't represent the President. They are not a commercial enterprise.

Mr. MARKEY. Let me just follow up. For example, let's take Africa and the efforts by many of these countries to develop their own telephone system.

Mr. IRVING. Correct.

Mr. MARKEY. Now we would know that as a result the French government would be trying to help their private sector companies to get the contract for a particular country, which would—

Mr. IRVING. As would the Germans, as would the Japanese, as would the Singaporeans.

Mr. MARKEY. Exactly. Clearly that would be a tremendous economic benefit for the whole country if they were able to receive the contract to provide telephone service for an entire emerging country.

Now, what role does the NTIA play in helping American companies to secure those contracts?

Mr. IRVING. Two things. One, we ask for those countries to privatize their telecommunications systems. We say open them up to privatization and competition.

The second thing we do is we then will assist companies. If there are 2 U.S. companies we assist 2, if there are 5 we assist 5. If there is one U.S. company against a French or a German company, I will pick up the phone and call a minister, as I did in Argentina not too long ago, as I did in Chile not too long ago. I will call down there and say we have a U.S. company, please give them every fair consideration, so I have developed—

Mr. MARKEY. What success have you had thus far in Africa?

Mr. IRVING. In Africa we have had limited success.

Mr. MARKEY. And other parts of the world in terms of securing contracts for American companies?

Mr. IRVING. Through our Latin American telecommunications summit, we have had 2 of them, we have had several hundreds of millions of dollars just in Latin America. We had a Southeast Asian telecommunications summit 6 months after I took the job.

We had again several hundreds of millions of dollars of contracts because of that and follow-up activities and responsibilities through NTIA have also given us tens of millions of dollars.

Mr. MARKEY. How successful could these American companies have been without the help of the Federal Government to serve as the door opener or the playing field leveler in terms of their ability to compete with other companies from other countries that had their country behind them?

Mr. IRVING. When we do these summits, Deputy Secretary Barram went to Southeast Asia with me, Secretary Brown went to Latin America. There is no way that you are going to get 11 ministers or 15 ministers from Southeast Asia to come in one place unless you have a Secretary Barram. No way you are going to get 11 or 12 ministers of communication of Latin America to come unless Secretary Brown is there.

Once they are there, we have 30 U.S. companies primed to talk to those companies about access opening opportunities. This is, the \$20 million of salary expenses roughly that NTIA receives through appropriations every year is far outstripped by the amount of contract and economic opportunity in this country we have developed just through Southeast Asia and Latin America. We are going to do more in Europe, we are going to do more in Africa, we are trying to open up markets.

Mr. MARKEY. Your point is, I think, as good a job as Reed Hunt does at the Federal Communications Commission—

Mr. IRVING. This is not his mandate.

Mr. MARKEY. [continuing] that is not his job to travel around the world creating these market opening opportunities for domestic companies.

Mr. IRVING. And he doesn't have the rest of Commerce behind him. I have ITA. I know there are some boxing fans up there.

If you think of the great champions, the great champions have 2 hands, there are some champions who have only 1 punch. The great champions have 2 hands, we are a 2-handed champion.

NTIA comes, and it says change in telecommunications policies and that softens them up, ITA and the rest of the Commerce Department comes in and promotes particular companies, and that is the knockout punch. You have a Ron Brown or Dave Barram, ITA, coming in; there is no country that can withstand that kind of power.

Mr. MARKEY. You do not want to be the Ingemar Johansson of international telecommunications competition, I agree with you 100 percent.

I thank you, Mr. Chairman.

Mr. FIELDS. Let me just ask something about what the gentleman has just been asking Mr. Irving, because I said to Secretary Brown just a moment ago in a private conversation that I think he has done as good as any secretary. In fact better than any I can remember in promoting American goods and services for all. I think he is the ultimate salesman. I think you are equally as good.

Mr. IRVING. I am in training. I want to get that good, but 1 day maybe.

Mr. FIELDS. Well, I think there is a sentiment on this panel that there is a need for someone in some Department to do what you

obviously are doing along with some others in promoting American Commerce. The question here today is not whether or not you are doing a good job, because I think you are. The question is can there be restructuring and can there be a cost savings.

The gentlelady from Oregon, Ms. Furse.

Ms. FURSE. I don't know very much about this issue, so I am going to ask you a question.

If this were all privatized, could a situation occur where one company could basically control most of the communications? I am thinking of the tribes in my area who don't have a lot of people on their land and probably on commercial land, bases are probably commercially real attractive to everybody but who have a very strong function where they need communication, the government and all.

Without you and just going into privatization, could you concede that 1 company might decide never to go to a reservation?

Mr. IRVING. That is very, very possible. In fact, one of our concerns is that rural areas and inner city areas are not necessarily places that the private market will take care of. That has been the reason we have universal service funds because it is not economic for some people to serve there without a governmental assistance.

We probably still wouldn't have telecommunications services in some parts of this country. There are places in Alaska, for example, which is still part of our country that does not have any television service except for public television service and only has public television service because NTIA gave a grant to get television service out there.

There are places in this country, particularly places where we have Native Americans, particularly places where we have Aleuts and Eskimos that would suffer, but there are other places as well where there are white American and African-Americans and Hispanic Americans that aren't particularly commercially attractive. We have got to find ways to make sure they are part of this mix as well.

Ms. FURSE. Would that also affect, I am thinking of fishing boats, out in Alaska, just a few users of that information? Could somebody, if they controlled the entire spectrum, exclude weather information, for instance, for those few fishermen, but whose lives depend on it?

Mr. IRVING. At least in theory. It all turns on how expansive and extensive the privatization is. I have seen some theorization about we need to privatize. I have never seen any specific telecommunications reform legislation saying how we would go about privatizing spectrum. It would be very, very difficult. We have billions, hundreds of billions, maybe trillions of dollars, entrenched users. I don't know how you go about relocating them, and telecommunications at its core has always had a social and societal function, and I worry about, are we going to throw away the societal and governmental functions in a race for dollars, which are important, but there has got to be a balance about what government can and should do in terms of securing the welfare of its people and just driving an economic process toward dollars.

Ms. FURSE. Thank you. Thank you, Mr. Chairman. I yield back the balance of my time.

Mr. FIELDS. Do any other members have questions of Mr. Irving?

Mr. Irving, there are some people who were not able to be here today. As I was detained earlier, there are some members who have been detained that would, in all likelihood, want to submit written questions to you for a response, and certainly we will be in touch with you.

Mr. IRVING. I would be delighted to respond to any. In fact, I am going to call Mr. Frisa because he had a question he had asked of the Secretary that I know he couldn't stay to ask me, but I understand his question and I will call him this evening to give him a response, and I will answer any other questions in writing.

Mr. FIELDS. We appreciate your patience, appreciate your testimony, and we will follow up with questions.

The Chair would like to announce, he would like to make one panel out of the remaining two. And again, we appreciate the patience that everyone has demonstrated today. In fact, anyone who wants to testify who is not on the list, please feel free to come up. We will be glad to take your testimony, also.

Mr. Huard, we are going to start with you, the Senior Vice President of Policy and Communications, National Association of Manufacturers. We would ask that you limit your remarks to 5 minutes. Your entire statement will become a part of the record. It will be introduced. Mr. Huard.

STATEMENTS OF PAUL R. HUARD, SENIOR VICE PRESIDENT FOR POLICY AND COMMUNICATIONS, NATIONAL ASSOCIATION OF MANUFACTURERS; E. MARTIN DUGGAN, PRESIDENT, SMALL BUSINESS EXPORTERS ASSOCIATION; EDWARD J. BLACK, PRESIDENT, COMPUTER AND COMMUNICATIONS INDUSTRY ASSOCIATION; STEPHEN COLLINS, DIRECTOR, ECONOMIC AND INTERNATIONAL AFFAIRS DEPARTMENT, AMERICAN AUTOMOBILE MANUFACTURERS ASSOCIATION; ROBIN W. LANIER, VICE PRESIDENT, INTERNATIONAL TRADE AND ENVIRONMENT, INTERNATIONAL MASS RETAIL ASSOCIATION; JOE COBB, JOHN M. OLIN SENIOR FELLOW, POLITICAL ECONOMY, HERITAGE FOUNDATION; AND JIM MILLER, COUNSELOR, CITIZENS FOR A SOUND ECONOMY

Mr. HUARD. Thank you, Mr. Chairman. I will try to engage in some extreme summarization here. We appreciate the invitation to testify at today's hearings on the proposed dismantling of the Commerce Department. The focus of my testimony is on the importance of the trade and export functions of the Commerce Department.

U.S. manufacturers have a major stake in anything that is done to change the trade and export functions now carried out by Commerce. I would note that no other part of the U.S. economy is affected by trade flows as much as the manufacturing sector. Nearly 84 percent of U.S. merchandise exports and merchandise imports are manufactured products.

I would like to introduce for the record a new report, "Why Exports Really Matter," published by the Institute for International Economics and the Manufacturing Institute. This report shows a number of, I think, very relevant facts, among them the fact that employees of exporting companies enjoy considerably better wages than employees of nonexporting companies. They enjoy consider-

ably better benefits. They are more productive. They use more high technology processes, and the failure rates of exporting plants tend to be markedly lower than those of nonexporting plants.

Turning now to the specific object of my testimony, which is the trade and export functions of the Commerce Department, our position can be stated succinctly. We believe that the core elements of the Commerce Department's trade and export functions should remain together under the leadership of a Cabinet rank official. The reasons for this are laid out pretty straightforwardly in my testimony so I won't repeat them now. Rather, I will use the balance of my time to deal with the issue that has somewhat troubled me, which is that my testimony has already been given by several prior witnesses and several members of the panel.

Let me say on the one hand that one of the major legislative priorities of the National Association of Manufacturers is the balancing of the Federal budget, achieved without tax increases, but rather through the downsizing of a Federal Government that has become too large, too expensive, and too intrusive. And if that involves the elimination, reduction, or consolidation of entire departments, agencies or administrations, we are prepared to contemplate that.

On the other hand, as I said before, we believe that the core elements of Commerce's trade and export functions should remain together under the leadership of a cabinet rank official. These are not inconsistent positions. There are Cabinet rank officials who do not head entire departments, so that basically there are two statements you could make about our position and they are equally true.

One is that we do not support the dismantling of the Commerce Department. However, we do not oppose the dismantling of the Commerce Department. And those two statements need to be taken together. By selectively quoting only 1 of the 2, both sides of this debate can claim that we are in their corner. The fact is, the only statement that you can make with regard to the subject of this hearing is that we oppose the dismantling of the Department of Commerce in the manner proposed in H.R. 1756 because it would not retain what we regard as the essential trade and export functions of the Commerce Department under the unified focus of being led by a Cabinet rank official.

With that, I will yield back the balance of my time and let the other members of the panel put their nickel's worth in.

[The prepared statement and attachment of Paul R. Huard follows:]

PREPARED STATEMENT OF PAUL R. HUARD, SENIOR VICE PRESIDENT FOR POLICY AND COMMUNICATIONS, NATIONAL ASSOCIATION OF MANUFACTURERS

Mr. Chairman and members of the Committee, my name is Paul Huard. I am Senior Vice President for Policy and Communications at the National Association of Manufacturers (NAM).

We appreciate the invitation to testify in today's hearings on the Department of Commerce. I am obviously discussing this matter against the backdrop of proposals to dismantle the Commerce Department altogether—eliminating a few of its functions and moving the rest to other government agencies. This would have enormous implications for U.S. trade and export policy, which is the subject I would like to address in my testimony.

U.S. industry has a major stake in anything that is done to change the trade and export functions now carried out by Commerce. No other part of the U.S. economy is as affected by trade flows as the manufacturing sector. Nearly 84 percent of U.S. merchandise exports and 84 percent of merchandise imports are manufactured products.

I would like to call the Committee's attention to a new report, *Why Exports Really Matter!*, published by the Institute for International Economics and The Manufacturing Institute, an educational and research affiliate of the NAM. The report shows that exporters and their workers are far better off than non-exporters across a broad range of criteria:

- workers in exporting plants on average earn 15 percent more, but in some cases this difference is as much as 25 percent;
- benefit levels are between 25 percent and 45 percent higher;
- exporting plants are 30 to 50 percent more productive than non-exporting plants;
- out of a list of 15 modern manufacturing technologies, exporters employ 40 percent more of these in their plants; and
- failure rates in exporting plants may be 30 percent less.

That's not all. These benefits seem to show up once a firm makes a commitment to exporting, not after it reaches a certain level (or intensity) of exporting. And the benefits show up across the board in small companies as well as large. Benefits of exporting don't just go to the big, multinational firms.

A copy of this report was sent last week to every member of Congress. I would like to submit a copy for the record of today's hearings.

This leads me back to the subject of my testimony—the trade and export functions of Commerce. The NAM's position on this matter can be stated succinctly: We believe that the core elements of Commerce's trade and export functions should remain together under the leadership of a Cabinet rank official.

Until recently, the House was primarily focused on H.R. 1756, The Department of Commerce Dismantling Act, which heads in the opposite direction from our recommendation. This legislation would move Commerce's trade and export functions to at least five different agencies and eliminate some functions that we can't afford to lose.

Alternative legislation to H.R. 1756 is now being drafted by some members of the House. This legislation is more in line with the NAM approach I have just mentioned. We need to discuss this new legislation with our members before taking a formal position on it, but here is what we will be looking at in any plan:

- First, we must preserve the ability of the U.S. to participate in international trade negotiations.

Roughly 40-45 percent of the work done by Commerce's International Trade Administration (ITA) outside of trade law implementation goes to conducting international negotiations or supporting the United States Trade Representative (USTR) in such negotiations. H.R. 1756 would eliminate this vital activity, without providing any feasible means for USTR or any other part of the government to pick it up.

ITA is not the only part of Commerce to play an important role in international negotiations. The National Institute for Standards and Technology (NIST) assumes a similar role in the area of international standards which, is one of the most important non-tariff barriers confronting U.S. companies today. H.R. 1756 would eliminate NIST capabilities in this field.

The NAM believes that ITA and NIST functions that are critical to the ability to carry out international negotiations must be maintained.

Second, we need to make sure that U.S. trade laws are effectively implemented.

Any reorganization plan involving the administration of U.S. import laws will have major policy consequences. One alternative under consideration is to move import law administration to the USTR. This is what would happen, for example, under H.R. 1756. It is not clear to us how the 300-person import administration could be moved into the 180-person USTR without completely transforming the USTR from a presidential trade staff into a line agency. Nor is it clear how a clear line of demarcation between trade policy negotiations and trade law administration will be maintained under such a plan.

Third, we need to make sure that the export control system governing U.S. commercial exports functions properly.

It is important to remember that no commercial export leaves this country without a license (general or validated). H.R. 1756 gives the responsibility for export licensing to the State Department and export enforcement to the Customs Service. Reform of the current export control system is badly needed (see attached chart) and long overdue, but not this way. Eliminating the central role that Commerce currently plays in this system would be a step backward. It would give us a system more regressive than the one that we had in place at the height of the Cold War.

The NAM cannot support any plan that turns control of licensing of commercial products over to departments such as State, Customs or Defense. This function must remain together within a department that is primarily responsible for trade, export policies and the competitiveness of American firms.

Fourth, we need to pay attention to providing appropriate support to U.S. exporters.

Though functionally the job of export promotion is different from the job of trade negotiation, they both depend on a cadre of experts who know the strengths of U.S. business and who are familiar with the diplomatic and commercial opportunities for U.S. business. Commerce today is the principal source of this type of expertise, which we cannot afford to lose.

Before closing, I would like to comment briefly on the current system of private sector advisory committees on trade and export matters that are run by Commerce. Congress created this system in 1974 to ensure systematic private sector input for U.S. trade negotiations rather than the *ad hoc* approach that existed before that time. It has worked well and at virtually no cost. We believe it should be retained.

Mr. Chairman, this concludes my testimony. I would be glad to answer any questions.

Mr. FIELDS. We will hear from Mr. Martin Duggan, President, CEO of the Small Business Exporters Association.

STATEMENT OF E. MARTIN DUGGAN

Mr. DUGGAN. Thank you, Mr. Chairman, members of the committee. We wish to thank you for allowing the Small Business Exporters Association to testify before you on this most important subject, the Chrysler bill to eliminate the Commerce Department.

We are an organization whose sole purpose for being is the advocacy of programs and policies that further the interests and needs of small and mid-sized exporters. SBEA is a grass-roots, not-for-profit trade association representing SME's. We are 5 years old and funded by membership dues with no government or corporate sponsors. Our interests are solely directed to the betterment, growth, and prosperity of our members and our country.

It is our belief that the current debate as it relates to the dismantlement, reduction in size and scope of the U.S. Department of Commerce is going to prove a most useful exercise. We commend Senator Abraham and Congressman Chrysler for bringing this issue to the table. Hopefully, this hearing, and others that follow, will prove to be the beginning of a truly nonpartisan national review of exporting and its place in the American economy in terms of employment and the overall future prosperity of our people.

In 1992, SBEA published its white paper with a yellow cover, "Exporting as a National Priority," which called for the creation, among other things, of a Department of International Trade, recognizing that 19 different agencies are involved in trade promotion and have little accountability.

What we proposed then was an entity that included trade promotion, policy, and finance all under one roof; fully responsible and accountable for the success or failure of its programs.

In March of this year, we testified before the Small Business Committee and confined our comments to the Office of International Trade. We recommended that the Small Business Administration's Office of International Trade be closed because of its ineffectiveness and duplication of functions better handled by the DOC. The full text of our testimony is attached.

Mr. Chairman, small and mid-sized exporters need reliable, first class trade information, and better access to reasonably priced financing. The Commerce Department has improved its trade information development activities and its delivery systems to the users. The Business Information Service for the Newly Independent States is particularly impressive. I would encourage your staff members to arrange for demonstrations that, in turn, will directly benefit your constituents.

The Office of Advocacy has a natural constituency in our major corporations, but small companies such as Ellicott Machine in Baltimore and Aquatics Unlimited in California have also been helped through the advocacy office. For the first time, American companies get the kind of advocacy support that the English, Germans, French, and others have been getting right along.

Under Secretary Brown's stewardship, the Commerce Department has been a more friendly, open, and transparent Agency than it ever was in the past. From day one, the doors have been open

to all, small as well as big business, for suggestions and ideas for improving the services they offer and the manner in which those services are delivered.

As a Republican dealing with a Democrat administration, I can vouch for the fact that politics has never been a consideration in my experience or that of my members. And my members have gone on trade missions with Secretary Brown and politics certainly was not part of it.

SBEA, in its advocacy role, has done comparative studies over the last 2 years on export promotion in the G-7 countries. This is a comparative export promotion study, one on export finance, which compares what we do versus what our major competitors do. And in all deference to our friend, Dr. Weidenbaum, we do have competitors out there; it is a strange world, and to dismantle and/or eliminate trade promotion functions would be another case of unilateral disarmament in the trade arena. And we have heard that term used many times here today.

The 21st century offers challenges and opportunities unprecedented in our history. If we are to remain the superpower of the world, it should be economic strength, not just military. This Congress and this administration have a unique and incredibly rare opportunity to develop a trade infrastructure in concert with the private sector to meet these challenges and opportunities for the betterment of our Nation. There are estimates of 200,000 to 350,000 small and mid-sized manufacturers that are potential exporters.

Mr. FIELDS. Mr. Duggan, if I could ask you to summarize and your statement will appear in its entirety.

Mr. DUGGAN. That is it. That there are those large numbers of small, mid-sized manufacturers out there that if we are going to reach the bulk of those and get them involved in trade, I think we are going to have to have some sort of programs, outreach in concert with the Federal Government and the private sector. Thank you.

[The prepared statement of E. Martin Duggan follows:]

PREPARED STATEMENT OF E. MARTIN DUGGAN, PRESIDENT AND CEO, SMALL
BUSINESS EXPORTERS ASSOCIATION

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Under Secretary Brown's stewardship, the Commerce Department has been a more friendly, open and transparent agency than it ever was in the past. From Day One, the doors have been open to all, small as well as big business, for suggestions and ideas for improving the services they offer and the manner in which those services are delivered. As a Republican dealing with a Democrat administration, I can vouch for the fact that politics has never been a consideration in my experience or that of my members.

SBEA, in its advocacy role, has done comparative studies over the last two years on "Export Promotion" in G-7 countries, "Export Controls" and "Export Finance". These studies show conclusively that all our major competitors do more for their exporters than does the U.S. In most cases, we wouldn't be considered a player. To dismantle or eliminate trade promotion functions would be another case of unilateral disarmament in the trade arena.

The 21st Century offers challenges and opportunities unprecedented in our history. If we are to remain the superpower of the world, it should be economic strength, not just military. This Congress and this Administration have a unique and incredibly rare opportunity to develop a trade infrastructure in concert with the private sector to meet these challenges and opportunities for the betterment of our nation.

There are estimates of 200,000-350,000 small and mid-sized manufacturers that are potential exporters. These are companies who make quality products, competitively priced—but they sit on the export sidelines. Think of the increased employment, profits, taxes paid, etc. that could be realized if these companies were encouraged to export. As policymakers and leaders, we suggest that you have the ability to create the atmosphere and the incentives to inspire these companies to think and grow globally.

Our conclusion would be that beyond just looking at places to cut or trim the DOC, we have a national awakening to the latent power and importance of exporting American goods and services. A major restructuring of the trade system as we know it today should be initiated. There are more efficient and effective ways to increase American competitiveness in the global economy—possibly under the previously mentioned Department of International Trade.

In the meantime, we recommend that the functions of the Commerce Department regarding the trade information, trade promotion, and advocacy functions of the DOC not only be maintained, but supported to the highest limit possible.

Thank you for your attention and consideration. I will be pleased to respond to any questions the Committee may have.

Mr. FIELDS. Thank you very much.

Mr. Edward Black, President, Computer and Communication Industry Association.

STATEMENT OF EDWARD J. BLACK

Mr. BLACK. Thank you, Mr. Chairman. I am very pleased to be here today. This is an important issue that has been raised. I appreciate the opportunity to be here today.

CCIA is a trade association with members from many sectors in the computer and communications industry. Our members range

from small entrepreneurial firms to many of the largest in the industry, and are represented at the CEO and senior executive level. Our members generate annual revenues in excess of \$190 billion and employ well over a million people.

Over the years, our companies have had many dealings with the Commerce Department, and as is the case with other agencies, not all of those dealings have been positive. We have seen mistakes, we have seen errors, we have seen poor judgment. We have also seen examples where Commerce has been invaluable to our efforts to sell around the world, to do the things that our industry needs to do to advance and move forward.

As a frequent critic of Commerce's operation, it is difficult to understand the urgency or substantive need to focus on the restructuring now, when, frankly, it is performing in a way that we have long sought that we wanted it to. We do not come here today committed to the status quo. We strongly support the overall effort to streamline government, to eliminate duplicative and unnecessary programs, and to get control of our budget deficit and the overall debt, but we do not think it is essential per se to eliminate or create agencies.

What is important is that the Nation's business be done well, as effectively and efficiently as possible. We are wary of hasty decisions that, again—a phrase that has been used—penny-wise and pound-foolish.

We are more than willing to engage in a serious discussion of the ways to restructure, reorganize, and improve those parts of government with which we are familiar, including Commerce. But we believe we must first lower the intensity of the debate to try, if possible, to prevent decisions in this important area from being based on political factors.

It is essential and invaluable that there be someone at the Cabinet level who understands the concerns and complexities of the private sector and can help prevent public sector excesses from trampling, through ignorance or by design, on those factors which enable our private sector economic system to flourish.

Focusing and structuring government to make sure the domestic economic health and international competitiveness of American businesses are preserved and enhanced is both logical and essential.

For many in my industry the international functions are especially important, but other parts of the Department also fulfill essential and often related functions.

At this point, we think passage of this legislation in its current form is premature and unwise. There is no magic number of Cabinet level agencies that ought to exist. There is no number of committees in Congress that need to absolutely exist.

When we organize government, we need to do it in a way that does not look at numbers and size per se, but looks at the functions that we need to have done; does not try to prejudge outcomes, but puts a process in place that can make a reasonable determination of those outcomes.

We believe that the importance and the strength, vitality of our economy is essential. The private sector of this economy is the dynamo for growth, the likes of which the world has never seen. For

it not to have a seat at the table makes no sense. We have many sectors of our economy, small sectors of the economy, which are represented at the table. That the bulk of American industry and business is not to be there, we think is not just inconsistent and illogical, but ultimately unwise and harmful for the country.

One word about export controls. It is a special issue that my industry has dealt with extensively over the years. We have not been happy with export control policy in many ways for many years and we have criticized Commerce over the years frequently. But as one panel after another has found, in a bipartisan fashion over the years and including independent business, and government, the export control system has cost this country billions of dollars.

And to summarize, I think that a bill which does not adequately reflect the difficulties in the export control system and come up with a reasonable way to solve it, not one which we think would make it worse, shakes our faith in the process that got us to that legislation in the first place.

Thank you, Mr. Chairman.

[The prepared statement of Edward J. Black follows:]

PREPARED STATEMENT OF EDWARD J. BLACK, PRESIDENT, COMPUTER & COMMUNICATIONS INDUSTRY ASSOCIATION

Chairmen, Members of the Committee, I appreciate the opportunity to testify today on proposals to eliminate or transfer many functions and programs of the Commerce Department.

The Computer & Communications Industry Association (CCIA) is a trade association whose member companies are drawn from the many sectors of the computer and communications industry. Our members range in size from small entrepreneurial firms to many of the largest in the industry and are represented in CCIA at the CEO and senior executive level. Collectively CCIA members generate annual revenues in excess of \$190 billion and employ well over a million people.

Overall Perspective

CCIA and our member companies have many years of experience dealing with many different parts of the Commerce Department, and with a half dozen Secretaries of Commerce. There are numerous examples of Commerce making mistakes or doing poorly over the years, and there are other examples of Commerce providing invaluable service not only to industry but to the nation. Even as a frequent critic of Commerce's operations over the years, it is difficult to understand the urgency or substantive need to focus on its restructuring now, when it is finally performing in ways we have sought for many years.

We do not come here today committed to the status quo. We strongly support the overall effort to streamline government, to eliminate duplicative and unnecessary programs, and to get control of our budget deficit and the overall debt. But we do not think it is essential per se to eliminate or create agencies. What is important is that the nation's business be done well, and as effectively and efficiently as possible. We are wary of hasty decisions that could result in various "penny-wise, pound-foolish" outcomes.

There is no magic number of cabinet level agencies, just as there is no absolute right number of congressional committees. We are more than willing to engage in a serious discussion of ways to restructure, reorganize, and improve those parts of government with which we are familiar, including Commerce.

But we believe we must first lower the intensity of the debate, to try if possible to prevent decisions in this important area from being principally guided by political factors. Reorganization of government should be undertaken in conjunction with a broad and thoughtful review of the interrelated programs that are scattered in many agencies. To do otherwise, to focus on a single entity, is analogous to trying to stop urban traffic gridlock by changing the timing on lights at just those intersections on the block with the worst current backup of cars.

There is no perfect way to organize government. But that is not to say that how government is organized is not important. Whether we like it or not the structure of government, does have a huge impact on the output and outcomes of what government is about. Downsizing and restructuring is different and has different sig-

nificance, in government than in business. Both can have specific goal-oriented objectives in some areas (making products/issuing passports), but government also is in the business of making, or not making, policies and decisions that affect the lives of many millions of people, and thus has, at least in our representative democracy, a responsibility to ensure that its citizens' interests, individually, and in various collective ways, are taken into account. The structure of government is one way to do so, and should recognize this need.

One way to organize American government is to structure it to take account of those things most important to who we are as a nation and to make sure that consideration is kept in the forefront as important decisions are made. So we ask: What is America about? It's about a number of core things, including: freedom; security; values; justice; limited government; opportunity. It's also about the strength and vitality of our economy. The private sector of this country is a dynamo for growth the likes of which the world has never seen nor matched. When we go to organize or reorganize our government it would be wise to ensure that each of our core elements is recognized and understood, and, where possible, institutionalized.

When, therefore, I and others indicate our desire for a powerful cabinet level agency—competent, knowledgeable, and empathetic, if not always sympathetic, to the realities and problems faced by America's businesses—I urge you to realize that is not just special pleading. It is a desire to have a top-level unit of government that will help prevent the excesses of the rest of government from trampling, through ignorance or by design, on those factors which enable our economic system to flourish. Focusing and structuring government to make sure that the domestic economic health and international competitiveness of American businesses are preserved and enhanced is logical and essential. Especially in a globally competitive world the U.S. must not unilaterally disarm vis-a-vis those activities that allow the U.S. private sector to compete fairly and equitably in the world.

The legislation under discussion will affect both programs which affirmatively attempt to remove or hurdle obstacles, such as the foreign and commercial service, and others where government acts with a heavy hand, such as export controls. The location of such programs in an agency lacking understanding of the realities of business could be devastating.

Comments on Programs and Agencies Within Commerce Affected by H.R. 1756

CCIA's involvement over the years has mainly been with the following organizations: International Trade Administration (ITA) and all of its major components, the Bureau of Export Administration (BXA), Technology Administration including National Telecommunications Information Administration (NTIA) and National Institute of Standards and Technology (NIST), Patent and Trademark Office (PTO), Economics and Statistics Administration, and the Office of the Secretary.

International trade is an increasingly important part of our economy and should be an area where functions are consolidated, not dispersed. There are significant linkages and synergies which can result from the various international trade operations and programs working closely together. The idea of eliminating or splitting up many of these functions is antithetical to anyone who has worked extensively in the international field. The Foreign Commercial Service, the Trade Development and Export Promotion Programs, the International Economic Policy and Import Administration agencies, as well as BXA, should be the core of the government's activities in these areas.

For many in my industry the international functions are especially important. But other parts of the Department also fulfill essential, and often related, functions. The Economics and Statistics Administration is a source of valuable information and analysis; the Patent and Trademark Office deals with some of the most critical, complex issues facing us as our industry grows and we create national and global information infrastructures. NTIA, NIST and other parts of the Technology Administration help industry develop technology standards and measurements, and to stimulate research. While we have been wary of too great a government role in these areas, there are important stimulative and catalytic roles which government can, should, and has long played. These parts of the department are among the very few places in government where an understanding of our industry and technology exists at anything but the shallowest level.

A word about export controls is essential. The way government has mishandled export controls for years is an embarrassment. For a decade, one blue ribbon panel after another has shown that many tens of billions of dollars have been lost year after year because of unnecessary export controls and a system that couldn't adjust to a rapidly changing world. For illustrative purposes I have attached a copy of a chart describing the current export control process. We have labeled this the "chart from hell." The chart reveals interagency duplication, complexity, inconsistency, and

contradictory policies and goals—all serious problems. Though far from perfect in its policies or operations, Commerce's existence and structure are not the problem. To propose the transfer these functions to State and Customs reveals either a level of ignorance—or a callous disregard—of the legitimate concerns of industry that is frightening. There is no single part of this legislation which reflects better its inadequacy and it has been a signal to many that the due deliberation and insightful understanding desirable when reorganizing government is lacking.

Finally, it is critical to stress that even before the assertive—and many believe effective—style of the current Secretary, the existence of a cabinet level Office of the Secretary has been of immense value to the business community and the nation. Previous Secretaries have been able to have a seat at the table when other agencies propose or consider policies and programs that could have tremendous impact on the private business sector. It is essential and invaluable that there be someone at the table who understands the concerns and complexities of the private sector. I would hope that this Congress, at least as much as any before it, would have sufficient distrust of federal government power and respect for the private sector to ensure that government decisions impacting our economic engine are not made in isolation. A broad-based cabinet level agency is essential.

Conclusion

Consideration of this legislation is premature, and unwise. We are not committed to defending the status quo. However, while broad reorganization of government may be desirable, it should be undertaken carefully, deliberately, and in a less charged environment. Improving, streamlining, and cutting programs may all be achievable, but we must not destroy highly beneficial programs that are necessary and work.

If in your wisdom, at the end of the day, a cabinet department is not eliminated, it is hard to imagine that there will be any outcry. Those who might be tempted to score political points will hardly be able to, especially when you can demonstrate the totality of the budget cuts that will have been made.

We understand the symbolic value of eliminating a cabinet agency. For those of us who believe a dramatic major cutting of government is necessary, it is easy to understand the appeal of eliminating an entire department. But in truth the symbol is not necessary. Whatever the debates may be on the specifics of the budget, it appears very likely that few in the country will doubt that this Congress's cuts in the federal budget are truly historic and sweeping.

Mr. FIELDS. Thank you, Mr. Black.

We would now like to recognize Mr. Stephen Collins, Director of Economic and International Affairs Department of the American Automobile Manufacturers Association. Mr. Collins.

STATEMENT OF STEPHEN COLLINS

Mr. COLLINS. Thank you, Mr. Chairman. I know it has been a long day. I will be extremely brief.

Just to denote who we are, the American Automobile Manufacturers Association is the trade association for the American auto companies, Chrysler, Ford, and General Motors Corporation. Our companies employ 700,000 American workers in their U.S. facilities.

AMA member companies are members of NAM and the Business Roundtable, and we want to endorse the positions that they have taken today concerning the need to maintain certain core functions of the Commerce Department under the leadership of a Cabinet level official whose primary responsibility is to focus on American commercial interests.

Whatever the differences in viewpoint, most economists agree that future growth in employment opportunities, including in our industry, will derive from export, increased U.S. competitiveness in the global marketplace and substantially increased exports. Our companies' future plans are based on that premise.

We have found in our experience that the Commerce Department's functions in this area have been valuable in supporting our efforts in meeting and improving our international competitiveness, by expanding exports and enforcing U.S. laws against unfair trade practices.

I am going to talk about, briefly, three functions: (1) the detailed analysis and ongoing support for international trade negotiations, to remove barriers to U.S. products in foreign markets; (2) the advocacy and support of U.S. workers in industries in global markets; and (3) the enforcement of U.S. trade laws against unfair trade practices of other nations.

I am not going to go into these, Mr. Chairman, because it is late. I will just highlight one area.

Last month, we were in Geneva. We completed a long round of negotiations with the Japanese Government, what is called the "framework negotiations." There was a lot of publicity about this set of negotiations, and we reached a conclusion to those negotiations.

There is a follow-up component to that, that in order to determine whether this negotiation has been successful, whether we are going to have any success in the market in Japan, whether there will be a change in practices of the Japanese companies in the United States, we need the capacity to determine whether there is anything that has happened. And our companies can provide information, but it is something that we need the government resources to do also. We can't do it alone.

And in order to assess whether, let's say 1 or 2 years from now, whether anything has happened, whether this agreement has led to any success in the marketplace, it has got to be a partnership. We need resources from the government that are currently placed in the Commerce Department to help us. This is something that in our view only the Federal Government has the resources to do.

Also, we are working in other markets. In China, Korea, major Asian markets, we are working with the Department in partnership with them. We look forward to doing that. In any event, thank you for your time. I know it has been a long day.

[The prepared statement of Stephen Collins follows:]

PREPARED STATEMENT OF STEPHEN COLLINS, DIRECTOR OF ECONOMICS AND INTERNATIONAL AFFAIRS, THE AMERICAN AUTOMOBILE MANUFACTURERS ASSOCIATION

Mr. Chairman, Members of the Subcommittees, I am Stephen Collins, Director of Economics and International Affairs of the American Automobile Manufacturers Association (AAMA). AAMA is the trade association comprised of America's Car Companies—Chrysler Corporation, the Ford Motor Company and General Motors Corporation. Our member companies directly employ nearly 700,000 American workers in the United States.

AAMA and its member companies appreciate the opportunity to testify before the Subcommittees today concerning the future of the U.S. Department of Commerce and its responsibilities.

AAMA fully supports the current review of the operations and missions of a number of Federal Government Departments and Agencies with the objective of streamlining operations and reducing unnecessary or duplicative government functions. Over the past decade, almost every major American business has undergone major restructuring and downsizing to determine those activities that are critical and necessary business functions and to eliminate those that are not. We welcome these efforts by the Federal Government to do the same.

AAMA's member companies are members of the National Association of Manufacturers and the Business Roundtable. We endorse the positions taken by those orga-

nizations concerning the need to maintain certain core functions of the Commerce Department under the leadership of a Cabinet-level official whose primary responsibility is to focus on American commercial interests.

Whatever their differences in viewpoint, most economists agree that future growth in U.S. employment opportunities will derive, in large part, from increased U.S. competitiveness in the global marketplace and substantially increased exports. The future business plans of America's Car Companies also reflect this assumption.

AAMA has found that certain functions of the Commerce Department have been valuable in supporting the efforts of U.S. industry to improve their international competitiveness, expand exports, and enforce U.S. laws against unfair trade practices.

These functions include: (1) the detailed analysis and ongoing support for international trade negotiations to remove barriers to U.S. products in foreign markets and expand opportunities for U.S. exports; (2) advocacy and support of U.S. workers and industries in global markets; (3) the enforcement of U.S. trade laws against the unfair trade practices of other nations which harm U.S. workers and industries.

I would like to provide the Subcommittee with several recent examples of our work with the Commerce Department that demonstrate how these functions benefit the American auto industry.

1. *Participation in U.S. trade negotiations*—Industry and trade negotiating expertise maintained by the Department has been key to many recent successful market-opening initiatives, particularly the North American Free Trade Agreement and the U.S.-Japan Automotive Framework negotiations which were concluded less than a month ago. In each of these negotiations, various offices of the Commerce Department's International Trade Administration have provided critical support in analyzing major market barriers, identifying major negotiating objectives and assessing the value of concessions from trading partners in the conduct of long negotiations. Both of these successful negotiations resulted in important new market openings for U.S. automakers and the potential for billions of dollars in new exports of U.S. autos and auto parts in the immediate future.

I want to highlight one particular aspect of the auto agreement concluded with Japan last month that will require a substantial resource commitment by the government over the next five years. While we believe the agreement provides the necessary market opening pressure points that will allow U.S. auto and parts makers to finally crack Japan's closed auto market, the effectiveness of the agreement depends on the ability of the U.S. to measure whether or not progress is being achieved in terms of increased sales of vehicles and parts in the market. In our view, only the Federal Government has the resources and information to monitor and document actions taken by the Japanese government and industry to ensure that the agreement achieves the promised goals.

2. *Support in New Export Markets*—As with Japan and NAFTA, market barriers erected by governments around the world require the American auto industry to work with the U.S. government to increase exports by identifying and removing the regulatory barriers that severely restrict our companies' efforts to reach new customers overseas.

No matter how efficient or competitive U.S. companies become, American industry alone cannot eliminate unfair trade barriers. It takes the demonstrated persistence and the commitment of serious resources by our Government to induce reluctant foreign governments to open and deregulate their markets.

3. *Enforcement of U.S. Trade laws*—Another important function of the Commerce Department is its expertise in enforcing U.S. laws regarding unfair trade practices. For example, the Department is responsible for fair and thorough enforcement of antidumping and countervailing duty laws, in accordance with U.S. trade law and the GATT.

In 1992, AAMA filed one of the largest such cases in U.S. history. It is our assessment that the Department demonstrated professionalism and impartiality in carrying out its responsibilities in that complex case. AAMA believes that eliminating or diminishing this function would imperil the ability of the United States to take action against those parties which violate accepted international trade laws at the expense of U.S. workers

Mr. FIELDS. Mr. Collins, thank you for summarizing.

The Chair will announce that we will begin having votes in about 10 or 15 minutes and they expect 30 minutes or so of votes. So if at all possible, we would like to complete this panel. I am sure you would like for us to complete this panel.

Ms. Robin Lanier, Vice President for International Trade and the Environment, the International Mass Retail Association. Ms. Lanier.

STATEMENT OF ROBIN W. LANIER

Ms. LANIER. Thank you, Mr. Chairman. I also will summarize. It is very late and I am hungry.

I am, I think, a unique witness, not only being the only woman who has appeared before this committee today but also the only representative of a service industry.

I would like to tell you a little bit about IMRA. We are a trade association representing 170 mass retailers, including discount department stores, home centers, catalog showrooms, dollar stores, variety stores, warehouse clubs, deep discount drug stores, specialty discounters, and off-price stores. Our member companies operate 54,000 stores in the United States and more importantly abroad, and we employ over 1 million people.

We have a unique perspective on the Commerce Department. I think we are the only private sector group here who has endorsed Congressman Chrysler's bill because we believe it is a first step toward rethinking and reshuffling the Commerce Department's view of the U.S. economy. And I think that view stems from the fact that we are representative of the service industry.

My industry has not had a good experience at the Commerce Department, specifically with respect to its advocacy of our concerns. Even in the international area, the retail industry has had great difficulty getting the Commerce Department to pay attention to the role that we play in facilitating exports. In fact, from our perspective, the institution of the Commerce Department is organized in such a way that the service industry really comes out on the short end of the stick. And this is particularly true with respect to trade promotion and trade development.

Now, Congressman Chrysler's bill will not eliminate many of the trade administration functions but it does talk about eliminating trade promotion. We would not have any problem with eliminating trade promotion as it currently exists at the Department of Commerce today.

Let me give you a few examples of the disconnect between the reality of the U.S. economy and what is going on at the Commerce Department.

Today on the eve of the 21st century, the nonmanufacturing sector, that is transportation, wholesaling, retailing, general services, finance, insurance, real estate, and construction, account for two-thirds of all nonagricultural American jobs. The Labor Department estimates that between 1992 and 2005, these sectors will have added 22.3 million jobs to our economy. Private sector services, that is excluding government, account for 66 percent of the total gross domestic product.

Today, the highest paying American jobs are professional and service jobs. In fact, everybody sitting here works in a service industry in all likelihood, jobs like lawyers, doctors, bankers, airline pilots, truck drivers, and computer programmers, operators, and administrators. For too long, the Department of Commerce, and many in government in fact—I think some people even on this

panel—has dismissed service workers as hamburger flippers. Quite honestly, that attitude is offensive to the majority of Americans who work in the service industry.

How is the Commerce Department organized to deal with the American economy? There are 9 sectorial offices within the Commerce Department trade development office. There are 9 dealing with manufacturing industries. The Office of Aerospace, Automotive Affairs, Consumer and Business Equipment, Consumer Goods, Energy, Infrastructure, and Machinery, Metals and Chemicals, Microelectronics, Medical Equipment and Instrumentation, Telecommunications—that is mostly equipment, not the service—and the Office of Textiles and Apparel. There are only 2 dealing with service industries: the Office of Finance and the Office of Service Industries.

Some of these manufacturing offices—quite frankly, the Office of Textiles and Apparel is a perfect example—have become bulwarks of protection. Offices that are closing markets, not opening them. Maintaining this outdated institutional framework is not helpful to many U.S. companies. The fact is, the welcome mat is open for some companies and not for others.

How do service industries like retailing play in the international trade arena? There is an old saying, Mr. Chairman, that if you build a better mousetrap, the world will beat a path to your door. Don't you believe it. No one will beat a path to your door. If you build a better mousetrap, you better darn well take that mousetrap to market. If you are a small or medium-sized manufacturer of a consumer mousetrap, the best way to get to market is to make a deal with a mass retailer.

When we do business in Mexico, we take exports into new markets. We in the retail industry make markets, not the government.

Thank you.

[The prepared statement of Robin W. Lanier follows:]

PREPARED STATEMENT OF ROBIN W. LANIER, INTERNATIONAL MASS RETAIL ASSOCIATION

Thank you, Mr. Chairman, for this opportunity to appear today to present the views of the nation's mass retailers on the issue of eliminating and restructuring the functions of the U.S. Department of Commerce. My name is Robin Lanier and I am a Vice President for International Trade for the International Mass Retail Association (IMRA), an independent trade association that represents 170 mass retailers including discount department stores, home centers, catalogue showrooms, dollar stores, variety stores, warehouse clubs, deep discount drugstores, specialty discounters and off-price stores. Collectively, IMRA's retail members operate more than 54,000 stores in the U.S. and abroad and employ over a million people. The retail members of IMRA represent the overwhelming majority of the \$282 billion mass retail industry.

IMRA has long supported efforts to trim wasteful government spending and bureaucracy. Earlier this year, IMRA's board of directors unanimously adopted a resolution supporting the principals and objectives of achieving a balanced budget by the year 2002 by reducing government spending and not raising taxes. As a continuing part of our effort to cut government spending, IMRA has formally endorsed Congressman Dick Chrysler's bill to dismantle the Commerce Department. Today I would like to provide you with a few of the reasons mass retailers believe such a step can be a *positive* one for our industry and for other business groups across the nation; and why we believe eliminating the Department of Commerce provides Congress with a unique opportunity to reorder economic and trade priorities for the 21st Century.

Commerce is an Agency Searching for a Mission

Perhaps because Congress often takes an expansive view of the Commerce Clause of the Constitution, the Department of *Commerce* has been, for many years, a kind of dumping ground for programs that don't quite fit anywhere else. It's clearly time to eliminate the extraneous parts of the Commerce Department, such as the National Oceanic and Atmospheric Administration, the Travel and Tourism Office and the National Weather Service. Many of these functions can be more efficiently carried out by the private sector, and others are quite simply a waste of tax payers' money.

Some have suggested that the wisest course would be to eliminate only these extraneous programs, but leave the Commerce Department intact. IMRA does not support this view. As I will outline below, the Commerce Department has outlived its mission in many cases, and Congress needs to revamp and restructure the remaining international trade programs to better fit the realities of the U.S. economy.

Commerce is not Always a Good Business Advocate

Many of the Commerce Department's supporters believe that the Department has been a good advocate for general business interests nationwide. There seems to be some sort of view that business needs such an advocate in Washington. IMRA respectfully disagrees. Government can never fully advocate for the private sector on our key domestic issues. That role should be left up to industry, itself, through groups like the one I'm representing today.

Indeed, my industry has found the Commerce Department to be a particularly poor advocate for our interests. Where was the Commerce Department on key mass retail industry issues like health care costs, or tax reduction, or product liability, or sound risk assessment? The Commerce Department has been silent on these important business issues, particularly in interagency discussions.

Even in the international arena, the Department of Commerce has consistently failed to represent our American interests effectively. For example, a little over a year ago Mexico demanded that American retailers supply original certificates of origin for certain exports into the Mexican market. This impossible customs requirement literally eliminated the ability of many American retailers to move merchandise from their U.S. distribution facilities to their stores in Mexico. It cost American jobs and it hurt retailers' expansion plans for the Mexican market.

Despite numerous pleas from all quarters of the retail industry, the Department of Commerce did nothing to help industry work out an agreement with Mexico on this issue. Indeed, while other agencies of the U.S. government including USTR and the State Department were somewhat more helpful, the Office of Service Industries (retailing's supposed advocate within the International Trade Administration), remained stonily silent about the implications of this customs rule on the ability of retailers to operate stores in Mexico. The message conveyed by this example has been pretty clear—Commerce is *not* interested in weighing in for our kind of industry.

Trade Development Functions Need to be Revamped and Rethought

This failure of the Commerce Department to advocate for certain industries is not a function of personality or the current administration. It is, in IMRA's view, an *institutional* failure that stems from the fact that many of Commerce's offices and programs are rooted too deeply in the prevailing economic views of the 19th and 20th centuries.

Nowhere is that more apparent than in the trade development and promotion programs that have stirred the greatest outpouring of controversy as Congress considers eliminating and transferring Commerce's functions. IMRA believes the current Commerce Department trade development functions are not well defined, often ineffective, and quite frankly not well focused on the realities of the U.S. economy, and the role played by service industries, like mass retailing.

Indeed, the IMRA hopes the process of dismantling the Commerce Department will force Congress to rethink the U.S. approach to trade and industrial policy. It's high time that our government institutions reflect the realities of the 21st century.

Today, on the eve of that new century, the non-manufacturing sector (transportation, communications, wholesaling and retailing, general services, finance, insurance, real estate, and construction) account for two-thirds of all non-agricultural American jobs. The Labor Department estimates that between 1992 and 2005 these sectors will have added 22.3 million jobs to the economy. Private sector services (excluding government) account for 66 percent of the total U.S. gross domestic product. Today, the highest paying American jobs are professional and service jobs—jobs like lawyers, doctors, bankers, airline pilots, truck drivers, and computer programmers, operators, and administrators. For too long, the Department of Commerce and many

in government have dismissed service sector workers as "hamburger flippers." Quite honestly that continued attitude is offensive to the majority of Americans who now work in this sector of the economy.

This is not to say that America should ignore our basic industries, or our manufacturing base, it is only to say that we must put our economic priorities in order and create government institutions that better reflect the realities of today's global economy, and the U.S. interest within that economy.

Services exports in financial services, entertainment, distribution and transportation, construction, and of course retailing and wholesaling, are growing at an astounding pace. IMRA members like WAL-MART, The Home Depot U.S.A., Woolworth, Price-Costco, and many others have opened outlets in foreign lands, providing export services to smaller and mid-sized American *manufacturers*. As this expansion proceeds, American retailers will become one of the most important facilitators of U.S. consumer product exports, *pulling* U.S. exports into new middle class markets, and outmatching government programs that try, often with little success, to *push* exports onto a market.

I have heard people within the Commerce Department, and even here on Capitol Hill say that the retail industry isn't terribly important because we don't "make anything." But retailers make *markets*. It's simple. If you build a better mouse trap, the world *isn't* going to beat a path to your door. You must take that mousetrap to market. For most small manufacturers, getting to market means cutting a deal with a mass retailer, not getting the government involved in their business.

Unfortunately, this common sense reality is often lost on Commerce Department bureaucrats. The Department of Commerce—and the International Trade Administration in particular—suffer from a kind of "institutional old think" when it comes to their vision of the U.S. economy. This "old think," which puts services industries at the bottom of the list of priorities, results in bad policy and bad economics. If we continue federal programs for trade development (and we would argue that the government is notoriously bad at developing new markets) it certainly must be done in a more neutral manner.

I'll give you a few examples of what I mean. Within the International Trade Administration there are 9 sectoral offices dealing with basic manufacturing industries. They are: The Office of Aerospace; The Office of Automotive Affairs; The Office of Computers and Business Equipment; The Office of Consumer Goods; The Office of Energy, Infrastructure and Machinery; The Office of Metals and Chemicals; The Office of Microelectronics, Medical Equipment and Instrumentation; The Office of Telecommunications (equipment), and The Office of Textiles and Apparel. There are only two offices dealing with service industries: The Office of Finance and The Office of Service Industries.

These offices collectively staff the 17 Industry Sectoral Advisory Committees—established by Congress in the Trade Act of 1974—which provide technical advice on trade agreements, trade policy, and export promotion. Of the 17 committees, only two—the ISAC on Services and the ISAC on Wholesaling and Retailing—deal with service industry issues.

In fact, the Office of Service Industries is a relative new-comer to the Commerce Department, a kind of after-thought that now must deal with *all* the issues surrounding the burgeoning services trade. They are not particularly effective because the issues facing professional service providers, like doctors, lawyers, architects and custom brokers are entirely different from those facing transportation or retailing services, or the entertainment industry.

If the differences between manufacturing sectors are sufficient for Commerce to have numerous different manufacturing offices, why then only one office for service industries, which are equally as diverse, and represent a much larger part of the U.S. economy? The answer to this rhetorical question lies in history.

The functional offices within the Commerce Department were developed based on the vision of U.S. trade and economic interests that prevailed back in 1947 when the General Agreement on Tariffs and Trade was first established. We have come a long way since then.

Maintaining this outdated institutional framework is not helpful to many U.S. industries. The fact is, some industries find a welcome mat at the U.S. Commerce Department, and others do not.

For this reason, Congress should either eliminate trade development (thereby enforcing a level playing field) or completely overhaul these functions so that the government does not enforce a kind of *de facto* industrial policy—a policy created by an outmoded and outdated institutional framework that puts services at the bottom of the heap.

Congress has the opportunity, as it dismantles Commerce and evaluates which functions will be maintained and transferred to other agencies, to shake up the tra-

ditional thinking about U.S. trade, economic, and industrial policy. We hope your subcommittees will do more than just transfer offices from one agency to another, and will give real thought to how those functions should be restructured to meet the needs of the 21st century. Trade development programs as they stand now in the Commerce Department are not effective. They are institutionally biased against some of the most important U.S. economic interests. These programs should not be maintained without significant changes. At the most, Congress should carefully consider whether government *can* effectively promote trade interests in a neutral and cost-conscious way. Perhaps all that exporters *really* need is some help opening doors in new markets—a function that could easily be accomplished by the foreign commercial service in each of our embassies abroad.

I thank you for this opportunity to appear, and I stand ready to answer any questions the Committee may have.

Mr. FIELDS. Thank you, Ms. Lanier.

Mr. Joe Cobb, John M. Olin Senior Fellow in Economic Policy, The Heritage Foundation.

STATEMENT OF JOE COBB

Mr. COBB. Thank you very much. Thank you for inviting me to be here today. I want to comment on the legislation Mr. Chrysler introduced, H.R. 1756.

It clearly displays a thoughtful analysis of the functions currently performed by the Department of Commerce. The Heritage Foundation is currently preparing for publication of a much longer paper on this topic, which we will be happy to make available to the committee and to the public in the near future. Today, I will only mention a few issues and conclusions from that more extensive study.

I want to make 2 specific points here today, both as answers to arguments that have been made by others in defense of the Department of Commerce and with which I strongly disagree.

First, we hear the argument that if the Commerce Department is abolished, there will be no spokesman for business interests in the President's Cabinet. Second, we hear the argument that the Commerce Department's activities in promoting U.S. exports are a tremendous revenue producer for the Treasury and a benefit to our economy.

Both of these arguments are bogus excuses for maintaining the Commerce Department as it presently is, and I want to address them briefly.

The Secretary of Commerce does not represent business interests. The Secretary of Labor does not represent organized labor's interests. As Members of Congress all well know, business interests and organized labor, and all other constituencies, very actively and ably represent themselves.

In particular, the interest groups come to Congress, not to the President's Cabinet, and have their voice in public policy as part of our legislative process. Members of Congress are very effective representatives of the interests and concerns of their constituents, our citizens. So it is really a simple, silly metaphor to describe the Secretary of Commerce as, "the representative of American business" in the Cabinet.

The second bogus argument that has been made to defend the Department of Commerce is the claim that it generates vast amounts of economic growth and revenue for the U.S. treasury by promoting U.S. exports. In a briefing document, a copy of which I

have right here, distributed by the Department of Commerce's ITA in June 1995, the claim is made that \$2.5 billion in tax revenue results from the \$244 million spent on export promotion.

Secretary Brown earlier said \$50 billion. I think he was trying to describe every single cent of U.S. export increase in 1994, for which he couldn't possibly be serious.

It is worth examining the way this number was arrived at because of all the claims on behalf of the Commerce Department—if they are all as soft and squishy as this one, the defense of the Department is very lame indeed.

First the document says the ITA, "generated \$5.7 billion of export sales last year." While total exports from the United States in 1994 were about \$707 billion, which was an increase of \$58 billion over 1993, the Department of Commerce wants us to believe they are directly responsible for 10 percent of the increase in U.S. export sales in 1994. They want us to believe that without their work, export sales would have been that much smaller.

Frankly, I don't believe that. The briefing document does not substantiate the claim; it merely asserts it. Indeed, the entire argument seems to be one of taking credit for the work of others; namely, the private sector's own activities in selling goods and services abroad, as the preceding witness just documented.

The document gives Secretary Ron Brown credit for his advocacy efforts, which it says, "resulted in an estimated \$19.4 billion in exports." As I understand the common English language, the word "estimated" means that the number has been made up. However, the document is conservative. It says, "one-quarter of which we estimate to materialize in 1995." Well, how should anyone be able to know if the estimates materialize or not?

But the shallowness of the economic estimate is even worse than that. After adding up 2 unsubstantiated estimates of our total export sales 1995, the briefing document says that each additional dollar of exports produced 24 to 27 cents in Federal revenues. This number is based on the fact that the Federal Government spends that proportion of the gross domestic product. The logic is if the GDP is increased by \$1, the Federal Government's share is increased by 24 to 27 cents.

Mr. Chairman, let me just conclude my remarks with the observation that export promotion may be a very fine activity, but the direct beneficiaries of it are the private companies that are selling goods and services abroad. The American people, as a whole, do not benefit from the increased sales of the Raytheon Corporation or Boeing Company or General Motors or any of the other private industry groups. The private owners and the individual employees of those exporting companies benefit from having more sales, but the American people as some kind of public interest do not gain anything. It is just an abstract generalization to talk in those terms.

There is certainly a public interest in opening foreign markets and reducing trade barriers to the sale of American goods abroad, but that is what the USTR does. That is what the World Trade Organization and the Uruguay Round and GATT were all about. Once again, that is a superfluous function of the Commerce Department that is more usefully performed by other government agencies.

The so-called export promotion activities of the Commerce Department are essentially cheerleading for private companies, which are already engaged in export sales. The claim by the Commerce Department that its cheerleading for American industry has increased sales is about as accurate as a belief that the Dallas Cowboy cheerleaders are responsible for the football team winning its games.

Helping new American companies expand their markets abroad is a fine and noble activity, but it is not something the taxpayers should subsidize. Let the companies that are increasing their sales pay for the marketing costs themselves.

[The prepared statement of Joe Cobb follows:]

PREPARED STATEMENT OF JOE COBB, THE HERITAGE FOUNDATION

Mr. Chairman and Members of the Committee: Thank you for inviting me to appear here today to comment on the set of proposals in H.R. 1756, which was introduced June 7, 1995, by Representative Dick Chrysler (R-MI) and 60 co-sponsors, to abolish the U.S. Department of Commerce.

The legislation clearly displays a thoughtful analysis of the functions currently performed by the Department, and it sorts them into two groups: (1) functions that would be discontinued as activities of the Federal government, although those functions might be undertaken by the private sector on an unsubsidized basis; and (2) functions that are properly related to the Federal government, but which could be more effectively or equally effectively carried out in a different Cabinet department.

The Heritage Foundation is currently preparing for publication a much longer paper on this topic, which we will be happy to make available to the Committee and to the public in the near future. Today, I will only mention a few issues and conclusions from that more extensive study.

In a document prepared at the request of the Speaker of the House and Majority Leader of the Senate in December 1992,¹ the Comptroller General of the United States cited the Commerce Department's own Inspector General, who described it as "a loose collection of more than 100 programs delivering services to about 1,000 customer bases..."

The report found that Commerce "faces the most complex web of divided authorities. [It] shares its missions with at least 71 federal departments, agencies, and offices."

It is precisely the fact that the Department of Commerce has grown into a "Department of Miscellaneous Affairs" that it ought to be thoroughly dismantled, with whatever functions are properly a Federal government activity re-located under a common chain of command with similar functions in other departments.

I want to make two specific points here today, both as answers to arguments that have been made by others in defense of the Department of Commerce and with which I strongly disagree. FIRST, we hear the argument that if the Commerce Department is abolished, there will be no spokesman for business interests in the President's Cabinet. SECOND, we hear the argument that the Commerce Department's activities in promoting U.S. exports are a tremendous revenue producer for the Treasury. Both of these arguments are bogus excuses for maintaining the Commerce Department as it presently is, and I want to address them briefly.

Spokesman for Business Interests?

The view that the President's Cabinet is some kind of discussion forum, or an assembly of social class representatives, is a very curious kind of description of the United States government. In the first place, we all know that the President's Cabinet does not function as, for example, the British Cabinet does, where the ministers actually do participate in making public policy. The President's Cabinet in this country is simply an honorary status that the heads of some of our government's departments share.

The Secretary of Commerce does not "represent" business interests. The Secretary of Labor does not "represent" organized labor's interests. As members of Congress all know very well, business interests and organized labor, and all other constituencies, very actively and ably *represent themselves*.

¹U.S. General Accounting Office, *Transition Series: Commerce Issues*, GAO/OCG-93-12TR (Washington, 1992).

In particular, the interest groups come to Congress, not to the President's Cabinet, and have their voice in public policy as part of our legislative process. Members of Congress are very effective representatives of the interests and concerns of their citizens. And more importantly, members of Congress do not take up the cause of various business or labor groups because they represent social classes, but because they represent very real citizens from back home with problems that often the United States government ought to focus on.

To the extent the Executive Branch needs particular information to carry out the mandates of Congress, the President's personal staff in the White House is continually reaching out to test public opinion and to discover the concerns and interests of the American people, so it is simply a silly metaphor to describe the Secretary of Commerce as "the representative" of American business in the Cabinet.

A Great Promoter of U.S. Exports?

The second bogus argument that has been made to defend the Department of Commerce is the claim that it generates vast amounts of revenue for the U.S. Treasury by promoting U.S. exports. In a "briefing" document distributed by the Commerce Department's International Trade Administration in June, 1995, the claim is made that \$2.5 billion in tax revenue results from the \$244 million spent on export promotion.

It is worth examining the way this number was arrived at, because if all of the claims on behalf of the Commerce Department are as soft and squishy as this one, the defense of the department is very lame indeed.

First, the document says the I.T.A. "generated \$5.7 billion of export sales last year." Total exports from the United States in 1994 were about \$707 billion, which was an increase of \$58 billion over 1993. The Department of Commerce wants us to believe they are directly responsible for 10 percent of the increase in U.S. export sales in 1994. They want us to believe that without their work, export sales would have been that much smaller.

Frankly, I don't believe this. The "briefing document" does not substantiate the claim, it merely asserts it. Indeed, the entire argument seems to be one of taking credit for the work of others—namely the private sector's own activities in selling U.S. goods and services abroad.

The document gives Secretary Ron Brown credit for his advocacy efforts, which it says "resulted in an estimated \$19.4 billion in exports." As I understand the common English language, the word "estimated" means that the number has been made up. However, the document is conservative. It says, "one quarter of which we estimate to materialize in 1995." Well, how should anyone be able to know if the estimates "materialize" or not?

But the shallowness of the economic estimate is even worse than that. After adding up two unsubstantiated estimates of our export sales 1995 increase, the "briefing" document says that each additional dollar of exports "produces 24 to 27 cents in Federal revenues." This number is based on the fact that the Federal government spends that proportion of our Gross Domestic Product. The logic is that if the GDP has increased by one dollar, the Federal government's share has increased by 24 to 27 cents. That is how the "briefing" document gets its number of \$2.5 billion in new tax revenue from spending \$244 million in export promotion.

Why Should the Taxpayer Subsidize It?

Mr. Chairman, let me just conclude my remarks with the observation that export promotion may be a very fine activity, but the direct beneficiaries of it are the private companies that are selling goods and services abroad. The American people, as a whole, do not benefit from the increased sales of the Raytheon Corporation or Boeing Company or General Motors, or of any other private industry group. The private owners and the individual employees of those exporting companies benefit from having more sales, but "the American people" do not gain anything. It is just an abstract generalization to talk in those terms.

There is certainly a public interest in opening foreign markets and reducing barriers to the sale of American goods abroad, but that is what the U.S.T.R. does. That is what the World Trade Organization and the Uruguay Round of GATT were all about. Once again, this is a superfluous function of the Commerce Department that is more usefully performed by other governments agencies.

The so-called "export promotion" activities of the Commerce Department are essentially cheer leading for private companies, which are already engaged in export sales. The claim by the Commerce Department that its cheer leading for American industry has increased sales is about as accurate as a belief that the Dallas Cowboy Cheerleaders are responsible for the football team winning its games.

Helping new American companies expand their markets abroad is a fine and noble activity, but it is not something the taxpayer should subsidize. Let the companies that are increasing their sales pay the marketing costs themselves.

Thank you, Mr. Chairman. I will be pleased to answer any questions you may have.

Mr. FIELDS. Thank you, Mr. Cobb.

The Honorable Jim Miller, Counselor, Citizens for a Sound Economy. Mr. Miller.

STATEMENT OF JIM MILLER

Mr. MILLER. Mr. Chairman, thank you, and I appreciate this opportunity to speak on behalf of the 250,000 members in support of Citizens for a Sound Economy.

Mr. Chairman, the election of 1994 gave Congress a mandate for change. Be bold, not whimpish; look beyond the Department of Commerce. But as for the Department of Commerce, I urge you, first, to tube—by that I mean to eliminate—the promotional parts of the Department of Commerce, the EDA, the Minority Business Development Program, the Travel and Tourism, the International Trade Administration. The notion that people purchase exports from the United States because of promotional activities by the Federal Government, I think, is stretching the truth enormously.

Second, privatize certain functions of the Department of Commerce, the NTIS information service, the National Weather Service, as I advocated in the budgets I prepared for President Reagan. And you can even privatize some of the functions of the Census.

Third, put export control functions in the International Trade Commission and the Department of Defense.

Four, combine the remaining functions, and particularly the economic analysis functions, with a greatly slimmed down Department of Labor. That should answer any questions people have about business not being represented at the table.

Thank you, Mr. Chairman.

[The prepared statement and attachments of Jim Miller follows:]

PREPARED STATEMENT OF CITIZENS FOR A SOUND ECONOMY

Mr. Chairman and members of the Committee: thank you for inviting me to comment on various proposals to dismantle the Department of Commerce.

On behalf of the 250,000 members and supporters of Citizens for a Sound Economy (CSE), I am happy to indicate our appreciation for efforts of this committee and others to slim down the U.S. Government and make it more efficient and more accountable. While we are encouraged by the subcommittee's actions to eliminate the Department of Commerce and reorganize some of its functions, we emphasize that even stronger, more sustained, action is needed.

Last November the voters of America sent a message loud and clear: business as usual must end. Government is too large, too burdensome, too wasteful, and too interfering.

You and your colleagues in the House of Representatives have initiated a revolution—a revolution that must be won one battle at a time. Government programs that have failed must be given the axe, not just trimmed around the edges. You must have the courage to apply the "Round-up" method of weed control: don't just pull off their stems—kill them right down to their roots!

Moreover, you must have the fortitude to insist that those over in the Senate hear that same revolutionary drumbeat and fall into step. For what will it gain the public if the Senate is left free to compromise or even block your revolutionary changes? For example, I note with great disappointment that while you and your colleagues called for the elimination of *three* cabinet departments in the budget resolution (Commerce, Education, and Energy), the Senate insisted on eliminating only one.

As outlined in the attached CSE "Scorecard" written by CSE analyst Rebecca Schaefer, the appropriations committee and your committee need to *terminate* more of the Department of Commerce's programs rather than reorganize their activities and/or reduce their funding.

In particular, we recommend that you:

1. *Eliminate* the Economic Development Administration. In the past, this organization, with spending approaching half a billion dollars annually, has been entirely too wasteful of taxpayer's money and has been used more for political purposes than for economic. As pointed out in a recent report by the Congressional Budget Office, the EDA's eligibility requirements are so broad that nearly 80 percent of the U.S. population lives in areas qualifying for assistance.

2. *Eliminate* the Minority Business Development Administration. The objective of increasing minority participation in business is laudable, but direct preference programs such as this are very costly to taxpayers and constitute "reverse" discrimination.

3. *Eliminate* the U.S. Travel and Tourism Administration. This program does not have a compelling federal purpose. Efforts such as its \$20 million program to discover if Alaska can be made a vacation spot for Nordic travelers and its sponsorship of events such as "discover American International Pow Wow" and "Pow Wow Europe" should be carried out by the private sector, if at all.

4. *Privatize* much of the National Oceanic and Atmospheric Administration (e.g., the National Weather Service) and scale back other activities of this program (e.g., subsidies to the fishing industry).

5. *All but eliminate* the International Trade Administration and the Export Administration. Most of these units' efforts go to subsidizing industry and promoting industrial policy. The key responsibilities of the International Trade Administration should be placed in the International Trade Commission, and the national security responsibilities of the Export Administration should be moved to the Department of Defense (with some "outside" oversight, to make sure the unit is not overly risk-averse in its actions).

6. *Privatize* the National Technical Information Service. This program produces much useful information, but of a type that can be readily marketed by the private sector.

Members of the Committee, I want to emphasize that in making these recommendations I do not doubt that the Department of Commerce creates some value for the tax monies expended. We must ask, however, whether all of its programs are justified, and for those that are whether other entities might carry on some of them more reasonably and more cost-effectively.

Nothing less than a change of mind-set is needed when addressing government programs. For example, the Constitution clearly contemplates a periodic count, a census, of the population. But no where does the constitution say that this census must be done by a government agency, much less that the census include such a broad array of questions.

No doubt the Department produces additional information that is of value to researchers, to teachers, and to the general public. But if such information is of sufficient value, private markets will supply it for a profit.

No doubt too, the Department can point to success stories in promoting U.S. trade. But the *vast* majority of U.S. trade is driven not by government officials and government programs, but by U.S. citizens making voluntary exchanges with citizens of other countries. With few exceptions, the most "productive" thing a government can do to enhance international trade is to get out of the way and let markets work.

Likewise, the Department can point to instances of successful economic development in distressed areas of the country. But the best development, the most lasting development, comes from free markets and freely flowing capital and other resources. This, again, is largely a matter of getting the government out of the way (e.g., low tax rates and freedom from regulatory excess), not direct governmental intervention.

Finally, I'd like to touch on a problem that is of some concern to me, although I realize its possible remedy is not under the direct purview of this committee.

From my experience in government, I know that institutions matter. *To some extent*, the Department of Commerce has served as an offset to the Department of Labor. That is, in some senses the Department of Commerce, as an advocate, has tended to cancel out, or modify, some of the more extreme policy proposals of the

Department of Labor. I am not a fan of "countervailing power" doctrines. But I do recognize that in many instances the Department of Commerce, driven by its constituents, has served as a counterweight to the Department of Labor, driven by its constituents.

For this reason as well as to reform the education and training of workers, I urge thoughtful consideration be given to ways of eliminating much of the Department of Labor and perhaps combining a streamlined Labor Department with the residual activities of the Commerce Department into a single Department of Commerce and Labor.

Ladies and gentlemen, thank you for your attention to these suggestions. If you have questions, I shall be happy to respond.

CITIZENS FOR A SOUND ECONOMY—SCORECARD

Commerce Appropriations: A Good Start, But Improvement Needed

The budget resolution passed by Congress last month featured the elimination of the Department of Commerce as a major symbolic step toward reaching a balanced budget by 2002. The resolution, however, by itself, did nothing: the real work must now be done by the authorizing and appropriations committees in Congress that have jurisdiction over Commerce.

What the subcommittee did. The first step occurred on June 28, 1995, when the Commerce, Justice, State and the Judiciary subcommittee of the House Appropriations Committee voted on next year's budget for the Commerce Department, with mixed results. In some areas the subcommittee came through with flying colors: eliminating the Travel and Tourism Administration and the Advanced Technology Program, which now subsidize private industries and research to the tune of \$356,328,000. In other crucial areas, however, the subcommittee fell short of what was promised in the budget resolution: for instance, the Economic Development Administration and the Minority Business Development Administration were cut, but not eliminated, as recommended in the resolution. Compared to bills by Rep. Dick Chrysler (R-MI) and Senator Spencer Abraham (R-MI), which would dismantle the department, defund 21 agencies, and privatize 5 more, the subcommittee action looks even paler.

Overall, the subcommittee succeeded in cutting enough funds to meet the resolution's target of \$23.4 billion for 1996, compared to \$24.7 billion appropriated in 1995. Yet, because many programs were trimmed instead of defunded—two rather than 21—the taxpayer will be less likely to see permanent savings. Hopefully, the full Appropriations Committee can improve on this performance when it takes up the issue on July 18.

Making the Grade. For its performance in this crucial first round of cuts, the subcommittee deserves a gentleman's "C". The chart on the next page grades the subcommittee's work on some of the more important and more controversial agencies within the Commerce Department. In general, an "A" was awarded for the elimination of an agency, a "B" for a substantial funding cut, a "C" for marginal cuts, "D" for marginal cuts where the budget resolution recommended deeper surgery, and an "F" where funding was not cut or was increased.

Program	Budget Resolution	Subcommittee	FY 1996 v. FY 1995	Score
U.S. Travel and Tourism Administration	Eliminate	Eliminate after the Oct. Conference on Travel & Tourism	'96: \$2,000,000 '95: 16,328,000	A
Industrial Technology Services (incl. Advanced Technology program)	Eliminate Advanced Technology Program	Eliminate Advanced Technology Program	'96: 81,100,000 '95: 434,673,000	A
Economic Development Administration	Decrease and reorganize with other grants to create new development block grants	Survived contingent upon the fate of other programs that help economically distressed areas	'96: 348,500,000 '95: 439,927,000	D

Program	Budget Resolution	Subcommittee	FY 1996 v. FY 1995	Score
Minority Business Development Administration	Eliminate	Decreased funds	'96: 32,000,000 '95: 43,789,000	D
International Trade Administration	Moves most duties to the USTR with little dismantling	Slight decrease in funding	'96: 264,885,000 '95: 266,093,000	D
Export Administration	Moves most duties to the USTR with little dismantling	No funding change	'96: 38,644,000 '95: 38,644,000	F
Overall Grade: C -				

Mr. FIELDS. Thank you for your summary.

Let me ask one question very quickly of the panel. I would agree with many of you that a focus on trade is important. I do not want to see us unilaterally disarm. But Canada, Japan, France, and the United Kingdom all have a single unified trade agency. In the United States, Federal programs are currently divided among 19 different Federal agencies, resulting many times in wasteful duplication and occasional conflicting priorities. And the question is, again as we are looking to restructure and reform, should those numerous trade programs be consolidated? Could they be placed under a U.S. trade agency, or in your view, do they have to stay in a separate trade or Commerce agency?

If I could get a quick response from the panel because I am going to turn to my colleagues in just a moment, again, knowing that we have imminent votes.

Mr. BLACK. I will start off with a quick one. Basically Congress gets credit for passing a law which required the TPPC. There was a tremendous trade policy coordinating committee effort to pull together some of that. That has worked quite well. It is the beginning.

Frankly, there is a great duplication. We would like to see a lot of consolidation, but you don't consolidate an elephant with a mouse. You put the mouse in the elephant.

Commerce is the core entity. Whether you call it commerce, whether you reorganize it different ways, the idea that there is a central trade and trading internationally is business internationally. To separate out international business and domestic business is a distinction. What do you do with domestic business? It needs a focus but if you can put domestic and international business together and enhance the trade function in a Cabinet level agency, you have gone a long way.

Mr. FIELDS. Well, let me just respond very quickly. Some of us might see a distinction that what happens domestically is part of a free market with a flow of forces. You could argue that perhaps there is a distinction when our companies go abroad and have to deal with the policies and other things that flow from a particular country. So some of us might see a distinction.

Ms. LANIER. Mr. Chairman, I think we would punt on the question of whether the trade function could be done better by a group of agencies or all in one basket.

I think from our perspective, this opportunity, and I think Congressman Chrysler's bill starts us down the road of reevaluating what it is we mean by business, and what it is we mean by priorities. Because if all we are talking about doing is moving various trade development functions around without really seriously reevaluating how we are making those priorities, what we are doing is we are allowing an institutional view that prevailed in 1913 when we created the Commerce Department to create a de facto industrial policy.

Mr. FIELDS. Mr. Cobb, let me turn to you quickly, same question.

Mr. COBB. Yes, sir. I think that the major trade development program that our government ought to support is the USTR negotiations. To the extent that other companies have barriers, we need to engage them in negotiations.

The so-called trade promotion function of the Department of Commerce at best is a subsidy to the industries that want to expand their sales overseas, and at worst, in fact, is the import defensive protection mechanism that the Commerce Department engages in quite actively. I think the Commerce Department's role in trade ought to be diminished, but the USTR's ought to be enhanced.

Mr. FIELDS. Mr. Collins.

Mr. COLLINS. Very briefly, without getting into the institutional issues, USTR is very small. You know, there is one person per company—per country that they deal with essentially. I will only speak from our experience.

We have been engaged in negotiations over the last several years. Let's say in negotiations for NAFTA, it took years to get NAFTA under way. It took a lot of people within the government. USTR doesn't have the resources. We worked exclusively with the Commerce Department in isolating and identifying those areas of the negotiations that we needed to get at in NAFTA in order to get a market opening in Mexico.

With the case of Japan and those negotiations which we have been engaged in over the last year, very highly publicized, again, USTR has 1 or 2 people. We worked with dozens of people who were in the International Trade Administration at Commerce to identify again in the auto and auto parts area those barriers in Japan that we really had to get at. It is a complicated issue but we needed those. The USTR doesn't have the resources.

Mr. FIELDS. Mr. Duggan.

Mr. DUGGAN. I would like to address something. This is the British Overseas Trade Board annual report. It shows what the British do, and how they have got their trade functions divided in their Department of International Trade. We don't need a lot of help for U.S. exporters.

The British have 12 trade lead development officers or trade development offices in the United States. We have 1 in Britain. To think that U.S. business can rely on their own initiative, especially to small and mid-sized companies—the big guy can get any damn thing he wants anywhere, any time. But the smaller companies have to rely on good, solid information. And the only way we are going to get it is by generating it through government resources at this point in time.

Mr. FIELDS. So are you saying we should consolidate and focus on something other than the Commerce Department or retain Commerce?

Mr. DUGGAN. No. We have had a study out for a couple of years now, since 1992, to create a Department of International Trade where you combine functions under one roof.

Mr. FIELDS. Mr. Huard and Mr. Miller. Very quickly so that other members can ask questions.

Mr. HUARD. Whether it is called the Department of Commerce or whether it is called something else, I think there is a considerable amount of merit to consolidating the trade and export-related functions in a single area; not just those that are presently in Commerce, but those that are elsewhere.

Mr. FIELDS. Mr. Miller.

Mr. MILLER. Joe Cobb is right.

Mr. FIELDS. The Chair will now recognize the gentleman from Massachusetts, Mr. Markey.

Mr. MARKEY. Thank you, Mr. Chairman, very much.

You know, the problem is that from 1945 through 1992, that the United States subordinated its commercial interests internationally to the objective of isolating the Warsaw Bloc nations. And as a result we turned a blind eye to what the Germans and the Japanese and others were doing to our automotive, electronics, and other industries because we needed their vote in the U.N. to ensure isolation of the Warsaw Bloc nations.

Now, it would have been nice if they acted out of self-interest and supported us on that basis alone. But unfortunately, they were sub silentio extracting from our country a kind of a silence in terms of how it was impacting the price that was being paid as it impacted our domestic economy. We did not want to confront these countries directly in terms of the impact they were having upon our domestic economy.

In the last 2 to 3 years we have seen a reversal of that. We have seen the beginning of the understanding of what happened to us economically during that period of time. Now, while the Trade Representative is a very important part of this equation, as Mr. Collins pointed out, he has a very small Agency. He goes into the high profile cases where a huge decision has been made at the executive and national level that we are going to declare war essentially upon a particular country in a particular product area. While there are negotiations on GATT and NAFTA, and I supported them both, voted for them both, that are important, many issues remain unresolved. As you know, telecommunications, financial services, others still remain unresolved. They are the cutting edge issues.

The NTIA helps to augment the role of the Trade Representative by insuring that there is promotion of these issues vigorously across the planet in this post-Cold War era. It recognizes that as there is a diminution of the value and the importance of the Defense Department in this new era, there has to be an increase in the importance of our commercial activity overseas. But we have to break down patterns of behavior which are very deep seated across this planet.

We would be foolish if we ignored the pathology which was allowed to develop over a 45 to 47 year period. It did. We would be

foolish if we ignored the very strong signals that we allowed Defense and State to send to these countries at the expense of our commercial interests over a 45 to 47 year period. We would be foolish to believe that free markets exist in most of the countries in the world after that 45 to 47 year attempt to isolate the Warsaw Bloc nations.

Now, this is not to say that any of our efforts at any of these agencies are perfect. They are not. But these agencies are in transition as well. Unless we have an understanding and appreciation for the pathology which exists in all too many countries across the globe, unless we understand that there is an ongoing competition still today between Defense and State on the one hand and commercial interests on the other, then we miss the real origins of our problems and our ability to export these products overseas.

Now, this transition is going to take some time. There is no question about it. The whole notion of ancestor worship is very strong in our culture. It is very strong in most cultures and there are still many in our society who want to continue on, almost in a Cold War mode, increasing the Defense budget, emphasizing that aspect of our national aspiration, that distorts our ability to be able to fully recognize all of the economic commercial opportunities that are out there.

We should be the primary beneficiaries of the tremendous economic opportunities that exist in this post-Cold War era. But we are not thus far. There are other countries that were more aggressive, more vigorous around the planet, not contributing their fair share to the defense budget of the NATO alliance to isolate the Warsaw Bloc nations.

So my simple message to anyone out there is that nations have psyches in the same way that human beings do, and they need positive and negative reinforcement depending upon the circumstances. Our Nation itself has to break out of this old notion that the defense budget or the defense bill is a jobs bill and that you can protect American interests exclusively through the defense budget. You can't.

I come from an area of the country that is very much dependent upon exports. I don't deny that. But I also know that they will not allow Fidelity to sell mutual funds in Japan or Korea. We are not allowed to sell them over there. And I know that the Trade Rep, as good as his reputation is, can't take on every single fight that every single industry has with the present staff, unless we want to completely restructure what it is, reinvent what the Trade Rep puts out there.

I think we would be better off, to be quite frank with you, if we took what we have, that is Larry Irving and others, including the Secretary, who are very interested in promoting our commerce overseas, and we took advantage of their tremendous passionate interest in breaking down these barriers, in negotiating with other countries, in using the leverage of the U.S. Government, and talking to the highest level leaders in these countries in a way in which they have never been talked to before—that is, American commercial interests being made first over defense or diplomatic agenda.

Now, this is not something that is going to happen overnight. But it is working. And Larry Irving with NTIA has already seen

dramatic changes in terms of his ability to affect South American, Central American, African nations and in giving preference to American companies where in the past that had not been the case.

In the rest of the world, they were French, they were German, they were British, or they were Spanish colonies. They speak different languages. They have connections that go back to countries that seek to take advantage of those historical links. We need government-to-government links as well. The Trade Representative can't do that. The Trade Representative has a different function and different job. There is something to be said for a marketing department of the United States.

There is something to be said for a promotion department of the United States. There is something to be said for a negotiating wing of the Federal Government as opposed to this other function.

So we should reject the Chrysler bill and, in fact, we need to streamline the Department of Commerce. I don't deny that. We need to make it stronger and tauter, but we can't eliminate it. That would be exactly the opposite of what should be done in the post-Cold War era if we are to capture the opportunities that our government can bring to our private sector, those companies, those industries interested in exporting goods. That is my point, and I thank the Chair. Yield back.

Mr. FIELDS. The Chair thanks the gentleman. The Chair would now like to recognize the patient lady from Oregon, Ms. Furse.

Ms. FURSE. Thank you.

This has been a fascinating panel because I have seen a division between those who make things and those who think about making things.

And Mr. Cobb, I have to tell you that I was quite surprised at what sounded to me like a very antibusiness testimony from you. It seems to me that when American business does well, there is a public benefit. I think about the taxes generated by those who work in American business.

I would like to ask you, all of you, Mr. Miller, I don't know your organization, but I do know the Business Roundtable. They speak very clearly that they want a Cabinet level official; they support much of the Commerce Department's functions. I have a letter from the Boeing Company, supports the functions of the Commerce Department. I held a meeting in Portland, Oregon, where I invited businesses, to ask, well, what if you want to export, how do you do that? They came 100 strong. 100 real businesses, not policy wonks, real businesses. And they said, we don't know how to export, but we need to work with the Commerce Department, because we can't afford to have an export officer.

So I would like to ask, why are you four gentlemen so different in your testimony than Mr. Cobb and Mr. Miller? I mean, your testimony supports what I got many, many letters for—a Commerce Department that has a Cabinet level.

Can you tell me what the difference is or am I just missing the point?

Mr. HUARD. Well, I think it is a question of perspective. I would, for instance, vigorously dissent from Mr. Cobb's view that the export assistance activities of the Department of Commerce is just a subsidy for a few companies and they don't benefit the American

people. I would note, for instance, that when the Boeing Company sells an airplane, that directly benefits 5,000 companies and their employees in all 50 States or subcontractors of the Boeing Company. Indeed, the largest amount—I am sorry Mr. Oxley is not here—because the largest amount of economic benefit that accrues when Boeing sells an airplane is to companies and employees in the State of Ohio.

So I think that is a sufficiently broad cross-section to justify the allegation that indeed the export-related activities of the Department of Commerce do greatly benefit the American people.

Mr. BLACK. Yes, I think I will jump in in the same way. The four of us who I think are viewing pretty positively, we have very active member companies who we work with on their problems with the government. I intervene and I work with different agencies. They have problems. I help them go places. The other 2 organizations perform very valuable services. I don't think they do that. There is more of a step back. I don't want to say ivory tower exactly, but more that focus. We actually work with the companies. We work to get them business. We work to solve their problems in getting business done. I think that may account for part of it.

The other part, though, is that there is a misunderstanding I think about the breadth and the complexity of the programs which Commerce operates. It is not a couple programs for a couple people. My small companies, and half of my membership is service industry, get tremendous benefit out of the Commerce Department, in all kinds of places.

The reason I am a critic is because I get frustrated sometimes it is not enough, or as well, that there are—NII, GII could deal with this committee, intellectual property issues, standards—what you have got is you have got a department designed to learn our industries. When we go overseas, if they don't understand what we are about, they can't help us.

So what you have got is empathy. They don't support us all the time. They are not totally sympathetic. They are not our tool, but they are knowledgeable and they are empathetic.

Mr. FIELDS. I appreciate the gentledady.

Does the gentleman from Texas have any questions?

Mr. HALL. No, Mr. Chairman. Thank you.

Mr. FIELDS. Mr. Miller, very quickly.

Mr. MILLER. Can I make 2 points? Number one, Mr. Markey finally at the end of his soliloquy put his finger on it. Efforts by the United States to remove barriers to markets makes sense. Efforts by the United States to subsidize, to market U.S. products abroad do not make sense.

To the Congresswoman from Oregon, I am on the boards of directors of several companies, in addition to my association with Citizens for a Sound Economy. In one of these, we sell a very large portion of our output abroad. We don't sell it because of promotional activities by the Federal Government. We sell it because our product is liked by those people and they buy it. They want it. And I think the same thing is true of other products.

Governments do not create markets. Governments tend to impede markets, and we have got to be focusing our activity in the Federal Government on removing impediments to markets, not to

trying to go diddle with, configure, promote, market, otherwise change markets. And it doesn't come to me as any surprise that many people would come if they thought somebody was going to market their product.

Mr. FIELDS. Thank you very much. You have gotten the last oral word. If anyone else has a comment, we will be glad to take your comment in writing. If there are any questions from our members, we will be more than willing to submit those to the witnesses in writing.

Thank you very much for your patience. This hearing is adjourned.

[Whereupon, at 7:53 p.m., the subcommittees were adjourned.]

[Responses to subcommittee questions and statements follow:]

RESPONSES TO QUESTIONS OF HON. JOHN D. DINGELL BY HON. RONALD H. BROWN,
SECRETARY, DEPARTMENT OF COMMERCE

Question 1: Representative Chrysler has indicated that H.R. 1756 will result in total savings of \$7.765 billion over five years. Please provide a detailed response as to whether you believe this is accurate, and include a discussion of whether the alleged savings include amounts that have already been realized through cost reductions and other efficiencies, whether the alleged savings appropriately reflect costs that would have to be incurred when the bulk of Commerce functions are dispersed throughout numerous Federal agencies, and any other information that bears on the accuracy of Representative Chrysler's estimated savings.

Answer: As OMB Director Rivlin noted when the Chrysler Bill was introduced, she doubted that savings would occur from dismantling Commerce if implemented. We concur with her assessment. By using the FY 1995 CBO baseline from which to calculate savings, the Chrysler bill is more than \$5 billion short of minimum expenditures that must be made for continuing programs. This is so because:

- There are errors and omissions in the Chrysler estimates;
- The Chrysler bill failed to include as an offset to savings the costs associated with dismantling the Department such as RIF costs, dislocation costs, disposal of facilities and operation of a Commerce Programs Resolution Agency;
- There is no ability to achieve the proposed across the board cut of 25 percent below FY 1994 levels for remaining Commerce programs except by the program cuts described in the response to question 3 below; and
- Savings that are already built into the President's budgets will occur without the Chrysler bill.

Omissions and Errors

The Chrysler estimates, as scored by CBO, make several substantial omissions and errors in their assumptions.

The largest is the CBO baseline that does not include an estimate for the decennial census in the year 2000. The five year total decennial shortfall from 1996 to 2000 is \$3.6 billion, and for all Census programs exceed \$4.3 billion. Also the Chrysler bill had claimed \$.8 billion from Decennial Census improvements with the \$7.765 billion saving estimate. However, since no funds are in the CBO baseline for the Decennial, the funds cannot be saved.

Within NOAA, the Chrysler estimates omit funds to pay for continuation of weather satellite systems and completion of the Congressionally approved Weather Service Modernization program. The costs for procuring additional satellites and Weather Service contracts alone exceed \$1.5 billion above the CBO baseline for the modernization program. These costs are required to ensure future continuity of weather forecasts and warnings nationally.

The Chrysler bill makes two substantial errors in PTO. The Omnibus Budget Reconciliation Act of 1993 requires \$325 million to be appropriated from the PTO Surcharge Fund. The bill would make those funds directly available to PTO, but does not identify an offset. Therefore, in terms of the deficit, the savings are overstated by \$325 million. Further, PTO collects 100 percent of costs in fees now. If PTO must reduce costs 25 percent, or \$375 million, as called for in the Chrysler bill, no reduction will accrue to the deficit because PTO already obtains these fees directly.

The funding for the budget of the United States Trade Representative (USTR) is \$21 million annually. In FY 1995 alone, ITA is providing USTR direct assistance of \$12.1 million from Trade Development and International Economic Policy. These two activities are terminated by the Chrysler bill. The FY 1996 termination costs for ITA under the Chrysler bill would be \$106 million or 500 percent of the USTR budget, but are not included in the Chrysler estimate.

The Chrysler bill assumes that Treasury, at no additional cost, will monitor the EDA portfolio of grants. We estimate the three year cost of closing out EDA at \$26 million plus RIF costs regardless of organization location.

Establishment of a Commerce Programs Resolution Agency is assumed in the Chrysler bill, and would operate for three years. We believe that it would cost approximately \$150 million for that period, about the same as the Office of the Secretary and Inspector General currently cost.

Unfunded Costs in the Chrysler Bill

The Chrysler bill does not reflect the costs of closing agencies, terminating employees, dislocation and operating a Commerce Programs Resolutions Agency. We estimate these costs at \$2 billion, and they are shown in Table 1.

A total of 12,685 FTE's would be eliminated under the Chrysler bill assumptions, 35 percent of existing staff, in the first year after enactment. The closeout costs, RIF costs and dislocation costs would total \$1.526 billion for all of Commerce. The balance of the \$2.001 billion is \$325 million for an offset to PTO appropriations requirements under OBRA of 1993 and \$150 million for a three year Commerce Programs Resolution Agency.

Ability to Achieve 25 Percent Savings From Overhead

The basis for the Chrysler 25 percent cut below FY 1994 funding totals is not stated in the legislation or the press release. Congressman Chrysler indicated on July 24 that the cut was related, at least in the case of PTO, to an overhead rate Commerce now charges bureaus.

Commerce does not charge its bureaus any overhead rate. While Commerce sells services through the Working Capital Fund, bureaus purchase an average of 1.4 percent of their available funding in services. See bureau Working Capital Fund estimates in Table 2. All Commerce oversight is funded through the General Administration account, \$36 million in FY 1995 or about .7 percent of the Commerce total appropriation.

The only way to achieve a savings of 25 percent in programs not terminated would be through further program reductions as discussed in the response to question 3 below.

Savings in President's Budget

The budget President Clinton submitted for FY 1996 already contained savings built into the budgets for FY 1996 - FY 2000 that that would have occurred without the Chrysler proposals. These savings total \$1.472 billion for the period and are shown in Table 3.

Savings are shown for program terminations, program reductions, FTE/Administrative reductions and the President's Reinventing Government initiative. The individual program terminations and reductions proposed in the FY 1996 President's budget are listed in Table 4. The FTE and Administrative savings result from Public Law 103-226 to reduce FTE by 272,900 by FY 1999, and Executive Order 12837 to reduce administrative expenses by 14 percent by FY 1997.

Two reinventing government savings estimates are shown for increasing Census data sales and for privatizing specialized weather services. The President is considering additional Commerce reinvention proposals which are not included in these totals.

Comparison of H.R. 1756 and H.R. 2076 "Savings"

The Chrysler Bill claims to save \$5.370 billion from program terminations, \$78 million from privatization and \$2.317 billion from the 25 percent across the board cut provision for remaining programs. A breakout of the reductions shown by Commerce bureau in the attached Table 5. The reductions result from program terminations, not from dismantling Commerce.

The major savings is from the elimination of the Office of the Secretary, \$250 million over five years. Sixty percent of this amount, provides procurement, general counsel, accounting, budget, security and building support which would have to be replicated in the agencies receiving Commerce program transfers.

Therefore, actual savings from eliminating Executive Direction at Commerce would be no more than \$20 million per year. These savings would not be realized

until the Commerce Program Resolution Agency is dissolved, three years after Chrysler enactment.

Chrysler savings are overstated for the five year period, 1996-2000, as follows:

	Dollars in Billions
Chrysler Estimate	\$7.765
Less:	
Tech errors Inappropriate overhead rate	- 2.317
Unfunded Closeout Costs	- 1.990
Revised Chrysler Estimate	3.458

Congress needs to carefully evaluate the components of the Joint Budget Resolution. For example, in Commerce alone, more than \$5 billion in costs for the decennial census and Weather Service contracts have been ignored in the CBO baseline so far.

Adding the \$5 billion in additional costs to the revised Chrysler Estimate above indicates that the Chrysler bill has a potential cost of \$1.542 billion.

Table 1—Department of Commerce Unfunded Terminations/RIF Costs Outlays

[In millions of dollars]

	H.R. 1756 Chrysler Bill		H.R. 2076 House Appropriations Bill	
	FTE	Dollars	FTE	Dollars
General Administration	194	9	200	9
Economic Development Administration	311	40	135	8
Bureau of Census/Economic & Statistical Analysis	1,720	75	128	8
International Trade Administration	1,624	106	0	0
Bureau of Export Administration	198	14	0	0
Minority Business Development Agency	165	10	0	0
United States Travel & Tourism Administration	94	12	94	12
National Oceanic & Atmospheric Administration	5,482	794	560	35
Patent and Trademark Office	1,269	700	0	0
Under Secretary/Office of Technology Policy	73	3	16	0
National Technical Information Service	378	21	0	0
National Institute of Standards & Technology	984	53	147	15
National Telecommunications & Information Adm.	193	14	0	0
Subtotal Department of Commerce	12,685	1,851	1,280	87
Commerce Program Resolution Agency	0	150	0	0
Total, Department of Commerce	12,685	2,001	1,280	87

Table 2—Department of Commerce—Working Capital Fund—Distribution by Bureau

[In Millions of Dollars]

	FY 1995 Estimated Cost	FY 1995 Budget Authority	Overhead Percentage
General Administration—Office of the Secretary	5	36	14.0
General Administration—Inspector General	1	17	5.9
Economic Development Administration	3	450	0.7
Bureau of Census	9	278	3.1
Economic & Statistical Analysis	3	50	6.2
International Trade Administration	13	266	4.9
Bureau of Export Administration	6	41	13.8
Minority Business Development Agency	2	44	5.6
United States Travel & Tourism Administration	1	17	5.0
National Oceanic & Atmospheric Administration	13	1,949	0.7
Patent and Trademark Office	4	580	0.7
Under Secretary/Office of Technology Policy	1	10	6.9

Table 2—Department of Commerce—Working Capital Fund—Distribution by Bureau—Continued

(In Millions of Dollars)

	FY 1995 Estimated Cost	FY 1995 Budget Authority	Overhead Percentage
National Technical Information Service	4	78	5.0
National Institute of Standards & Technology	3	854	0.3
National Telecommunications & Information Administration	2	113	1.3
Total, Department of Commerce	69	4,782	1.4

Note: Table does not reflect rescissions in P.L. 104-19. Distribution of travel/administrative reduction is pending departmental approval.

Table 3—Department of Commerce—Outlay Savings in the President's Budget in Agreement with the 96 House Allowance—Outlays

(In Millions of Dollars—1996–2000)

	Program Terminations	Program Reductions	FTE/ Administrative Savings	REGO	Total
General Administration	0	0	13	0	13
Economic Development Administration	0	2	59	0	61
Bureau of Census/Economic & Statistical Analysis ...	0	8	46	39	93
International Trade Administration	37	1	28	0	66
Bureau of Export Administration	0	0	9	0	9
Minority Business Development Agency	0	0	4	0	4
United States Travel & Tourism Administration	0	0	4	0	4
National Oceanic & Atmospheric Administration	385	338	392	40	1,155
Patent and Trademark Office	0	0	14	0	14
Under Secretary/Office of Technology Policy	0	0	1	0	1
National Technical Information Service	0	0	0	0	0
National Institute of Standards & Technology	0	0	46	0	46
National Telecommunications & Information Adm.	0	0	6	0	6
Total, Department of Commerce	422	349	622	79	1,472

Table 4A—National Oceanic and Atmospheric Administration—FY 1996 House Approved Terminations and Reductions

(Millions of Dollars)

	House Mark 5 Yr. Outlays
SC Cooperative geodetic survey	(4)
Land Information System	(4)
Ocean assessment program ¹	(11)
Transfer from Damage Assessment Fund ¹	(1)
Oil Spill Research	(3)
National Institute of Environmental Renewal	(2)
Charleston, SC, spec area mgt. plan	(4)
Hawaii stock management plan	(2)
Atlantic bluefin tuna research	(1)
International fisheries commissions ¹	(4)
North Atlantic fishery project	(12)
Export strategies/Mahi Mahi	(3)
Federal/state weather mod. grants	(13)
Southeastern storm research	(2)
VENTS	(11)
SE US/Caribbean FOCI program	(2)
GLERI/ZEBRA mussel	(4)
Lake Champlain study	(1)
Pacific Island technical assistance	(1)
National coastal R&D Institute	(4)
NOAA Undersea Research Program	(77)
Regional marine research centers	(6)
MARDI ¹	(133)

Table 4A—National Oceanic and Atmospheric Administration—FY 1996 House Approved Terminations and Reductions—Continued

(Millions of Dollars)

	House Mark 5 Yr Outlays
Agricultural & fruit frost program	(10)
Fire weather services	(2)
Susquehanna River Basin Flood Sys ¹	(2)
Samoa	(0)
Regional climate centers	(14)
NEXRAD ¹	(119)
ASOS ¹	(2)
Ocean remote sensing ¹	(19)
Critical safety & Instrumentation ¹	(15)
Charleston Fisheries Lab repairs	(30)
Boston biotechnology Innovation center	(8)
Mystic, CT maritime educ. & research center	(4)
Alaska Fisheries Center	(8)
Kansas City Weather & Environment Center	(10)
NEXRAD WFO construction ¹	(16)
Columbia river facilities ¹	(14)
Multispecies aquaculture center	(14)
Lafayette, LA Fisheries Lab	(44)
National Estuarine Research Reserve	(16)
Indiana State University	(21)
Newport marine science center	(10)
Tiburón/Santa Cruz	(40)
5 Year Total	(723)

¹ Reductions to the FY 1995 Appropriation (\$338 million in outlays)

Table 4B—International Trade Administration—House Mark Program Terminations—FY 1996

(Dollars in Millions)

Program Terminations	Amount	5 Year Outlay
National Textile Center	(2)	(9)
Center for Global Competitiveness	(1)	(5)
Emerging Technologies Institute	(1)	(5)
Michigan Biotech Institute	(1)	(5)
Tailored Clothing Technology Center (TC2)	(1)	(3)
Massachusetts Biotech Research	(2)	(8)
Transfers to Office of Inspector General	0	(1)
Japan Information Center	(1)	(2)
Total	(9)	(38)

Table 5—Department of Commerce—Chrysler Bill Savings by Category—Outlays

(In Millions of Dollars—1996-2000)

	1995 CBO Baseline	Savings From Dismantling			Total	Cost of Transferred Programs
		Termi- nations	Privati- zations	Transfers		
General Administration	298	250	0	0	250	48
Economic Development Administration	2,177	1,139	0	0	1,139	1,038
Bureau of Census/Economic & Statistical Analysis	1,801	27	0	800	827	974
International Trade Administration	1,472	240	0	54	294	1,178
Bureau of Export Administration	224	51	0	41	91	133
Minority Business Development Agency	239	183	0	0	183	56
United States Travel & Tourism Adminis- tration	93	75	0	0	75	18
National Oceanic & Atmospheric Adminis- tration	10,684	1,468	78	798	2,344	8,340
Patent and Trademark Office	416	0	0	375	375	41

Table 5—Department of Commerce—Chrysler Bill Savings by Category—Outlays—Continued

(In Millions of Dollars—1996-2000)

	1995 CBO Baseline	Savings From Dismantling				Cost of Transferred Programs
		Termi- nations	Privatizations	Transfers	Total	
Under Secretary/Office of Technology Policy	56	70	0	0	7	(14)
National Technical Information Service	44	0	0	0	0	44
National Institute of Standards & Tech- nology	4,326	1,647	0	155	1,802	2,524
National Telecommunications & Information Adm.	585	221	0	95	315	270
Total, Department of Commerce	22,415	5,370	78	2,317	7,765	14,650

Question 2: Please provide for the record a list of all functions and offices of the Department that would be eliminated under H.R. 1756 and the effect of any such eliminations in the State of Michigan and nationwide.

Answer: The following documents were submitted and are retained in the Commerce Committee's files: State Maps "before" and "after" H.R. 1756; EDA (Already supplied to Staff); ITA; MBDA; NTIA; TA/NIST; USTTA.

Question 3: Section 310 of H.R. 1756 provides that funding for any functions of the Department that are *not* eliminated "may not exceed 75 percent of the total amount expended by the United States for performance of that function during fiscal year 1994." This provision, in effect, imposes an across-the-board 25% cut from 1994 funding levels for all surviving functions of the Department. Please provide a detailed explanation of the effect of this provision, including a discussion of: (a) the effect of keying such cuts from FY 1994 levels; (b) reductions in programs, services, and personnel that would result (in the State of Michigan and nationwide) from this provision for each function of the Department that would be transferred; and (c) whether efficiencies in overhead or operations will result by transferring Department functions to other Federal agencies.

Answer: The following documents were submitted and are retained in the Commerce Committee's files: BXA; ESA; ITA; NOAA; NTIA PTO; TA/NIST.

PREPARED STATEMENT OF STEPHEN S. COHEN, PROFESSOR, CO-DIRECTOR, BERKELEY ROUNDTABLE ON THE INTERNATIONAL ECONOMY, UNIVERSITY OF CALIFORNIA, BERKELEY

Mr. Chairman and members of the Committee: thank you for inviting my testimony on H.R. 1756 "The Department of Commerce Dismantling Act." I will keep my comments brief and confine them to how the bill makes international trade, competitiveness and technology policy. For knowingly or unknowingly, it does so to a considerable extent. In doing so it takes a romantic approach to policy: it deals with international economic relations as we would like them to be, not as they are.

James Madison, writing in the *Federalist*, begins with the textbook case that if "all men were angels, government would not be necessary." He then goes on to observe—without benefit of any econometric models or census data—that they are not. On that stout empirical basis he constructs a constitution for the new Republic. He rejects the best system, the no intervention model that would best befit a world where men were angels, and design what economists would call a second best system and others would call realistic and mature; an intervening government based on a system of checks and balances designed not to ignore, but to balance off the massive imperfections and pervasive rottenness that define the real world. We, ever more the epigone, would be immature and irresponsible to abandon the realistic approach of the founding fathers, both as to method and conclusion. Assuming away the problem and replacing it with nice models of how the world should work is becoming an American habit in the realm of international economic competition.

Free and open markets in international trade have long been an American goal. We take the lead in organizing multilateral trade negotiations aimed at reducing tariffs and eliminating various barriers at dockside that nations ingenuously construct. We know that free markets would be best and push for them. Sometimes we even let ourselves take a glimpse at what that would mean; in the modern world it is not so much at the docks where the important barriers exist, but inside the

structures of the economy. Real free trade implies, among other things, international standards for, and international enforcement of, anti-trust or competition policy. At the present time the world is a very long way from such a free trade environment. Who in our government is building the capabilities—the hands-on knowledge of industrial technology, structures and practices, the close ties to affected industries, the ability to coordinate a range of different tools that are needed for intelligent and effective action on such matters? Should we have such a capability? Should we strengthen what we have? Should we unilaterally eliminate it. It is a question with substantial consequences for our economy, and it seems as though you, in an historical departure, have set yourself the task of answering it. The bill, couched in terms of cost savings, ducks it. For example, large numbers of very big international sale of aircraft, airports, telecommunications, infrastructures, power generating plants, railroad equipment, truck plants, etc are the direct objects of well informed, strategic and high powered efforts by governments to support their own firms. They are able to add to the simple price/quality bid of the supplier firm various combinations of cajolement, pressures and inducements. If not countered, often they tip the sale. Given the rapidly evolving structures of our exports—almost no cars, few and increasingly fewer mass consumer goods, more big ticket technology and infrastructural products, this particular game affects us substantially. And it does so by far greater amounts than the goodly bunch of billions nominally at stake. In many of these industries, first leader advantages and economies of scale and scope play a powerful role. So does the rush to be the dominant standard or at least to secure a kind of lock in through the first and largest installed base. Fast and big foreign sales are critical here. These are the elements that determine the viability of the industry at home; it is no longer possible to avoid the unchartered and unpleasant world off-shore, and stay home in the Giant USA and prosper—even if you throw in Mexico, as we have. Something similar obtains in setting standards which is not an objective, technical matter, divorced from the dynamics of industrial competition, but is often the very object and determinant of that competition. We should think, very hard I suggest, about the kinds of capabilities and tools we need to advance our own interests in such critical, but Not-Free-Market environments in which so much of our economic strength is now ebbing away. Commerce has now built some of our best capabilities and tools for work in such environments. They should be built up, not tossed away. A simple assertion, based on romantic models out of aging Econ 101 texts that such situations do not exist, (and if they do exist, they are small. . . well, that may suffice for writing legislation. But it will not suffice for sustaining the economic and technological base of a great power. With that end in view, you should think very carefully about scrapping those capabilities, and in the process setting a new approach to trade policy. You should also think about how other nations would consider such an action? Will they laugh in wonderment? I think so.

There is much to commend an administrative architecture that links, tightly, the set of trade related activities on which I have focused my remarks (and which extend back to include knowledge of industrial technology, structure, dynamics and standards). Scattering them around, as the bill proposes, will not result in less money spent on those activities. And they are not big budget items anyway. Instead it will result in more formal interdepartmental meetings, scattered responsibility, less oversight, and radically reduced effectiveness. Linking them together tightly, not only increases the efficiency of the operation, and enhances its clout vis a vis the international world, but most important it is just about the only way to gain both strategy and accountability. The bill, as it now stands, aims at reducing costs, but actually reduces strategic definition, effectiveness and accountability in the critical area of international trade.

PREPARED STATEMENT OF WAYNE BERMAN, SENIOR ADVISOR, LAZARD FRERES

Mr. Chairman, I welcome the opportunity to share my views today on how the United States can bring some coherence, efficiency, and plain common sense to the way our Government carries out trade policy and trade promotion. The system is broken, and as a former senior official of the Commerce Department, no one is happier than I am to see this Congress take an active approach to fixing it.

I'd like to divide my remarks into the three broad areas of trade that the Commerce Department currently has at least some responsibility for—policy, promotion, and enforcement of unfair trade laws.

I'd like to speak first to the issue of trade policy. The current U.S. structure for trade policy formulation—USTR as the leader, Commerce's International Trade Administration as the "supporting cast"—is a global anomaly. It doesn't make sense, it's wasteful, and it reduces our effectiveness vis-a-vis our major trading partners, like Canada, Japan, France, and the UK, which have single, unified trade agencies. The job of an effective trade agency should be to open new markets and to assist business in exploiting them. It doesn't make sense for one agency to do the opening and another to do the exploiting.

The argument is made that USTR's distinct status establishes it as the "honest broker" in interagency trade policy debates. In fact, I think it's become all too clear that USTR's affiliation with the White House has made it, first and foremost, a tool of domestic political strategy—as evidenced most recently by the ill-considered approach to Japan over automotive trade issues, which can be considered a "victory" only in political terms. Trade policy is too important to be the captive of short-term political expediency. Keeping the lead trade policy agency within the White House only ensures that the long-term view of trade policy is consistently discounted.

Meanwhile, the Commerce Department's International Economic Policy section—the part of the International Trade Administration that does trade policy analysis and supports USTR in negotiations—is both too big and currently underutilized in the formulation of trade policy. I'm convinced that if a smaller, leaner IEP were merged with the trade negotiation staff of USTR in a small, Cabinet-level trade agency independent of the White House, the United States might at last begin to achieve the kind of success in trade policy that I witnessed among the Japanese, French, and our other trade partners who operate within coherent, unified trade agencies.

TRADE PROMOTION: THE PRIVATE SECTOR CAN DO IT BETTER

Let me turn to the issue of trade promotion. The current talk of eliminating the Commerce Department has revealed a great deal of support for the U.S. & Foreign Commercial Service on the part of the U.S. business community. I agree that the US&FCS has been one of the more effective—perhaps the most effective—part of Commerce in recent years. But it can be made better and more effective by eliminating its most marginal elements—namely, the U.S.-based trade promotion offices—and beefing up its presence in our Embassies overseas. We do need an official presence abroad to promote American trade, and so the Foreign Commercial Service should be an important part of a restructured U.S. trade agency. But we should focus on supporting the people who really know where the markets are—those who are overseas. US&FCS's domestic offices have become obsolete in the age of the fax and Internet.

At the same time, efforts to rationalize U.S. trade promotion have got to recognize that, ultimately, the private sector is its own best advocate and its own best salesman. Our institutional structure for trade promotion has got to make more room for industry associations and individual businesses. We need to assure the elimination of a paternalistic "middleman" function of the FCS and create mechanisms which support, rather than second-guess, the role of business in promoting American trade. When it comes to selling U.S. electronics abroad, who do we think is going to be more effective: a Commerce Department bureaucrat, or the Electronics Industry Association? The Department of Commerce Dismantling Act introduced by Congressman Chrysler accepts commercial reality by establishing procedures which allow business to support *directly* government trade policy formulation and trade promotion efforts.

I'd like to say a word about the Trade Development arm of the International Trade Administration, which supposedly supports trade promotion efforts by developing information about foreign markets for U.S. products. Trade Development has *always* been among the *least* effective elements of the Commerce trade bureaucracy. And, in some cases, offices within Trade Development function as tax-subsidized hideaways of the rankest kind of trade protectionism. The most egregious example is the Office of Textiles and Apparel—OTEXA—an office created to do the bidding of one industry without any regard for the people in this country who sell or purchase clothing. Commerce's Deputy Secretary for Textiles and Apparel has 41 full time positions and a total budget of \$16.4 million—including about \$12 million in government handouts to textile companies that are in no need of taxpayer assistance. In my view, OTEXA is the perfect example of corporate welfare run amok, and it's the perfect illustration of why Trade Development has got to go.

TRADE LAW IMPLEMENTATION: IT CAN BE DONE BETTER ELSEWHERE

The Import Administration arm of the Commerce Department currently carries out a number of important functions related to implementation of U.S. anti-dumping and countervailing duty laws, including the calculation of "dumping margins"—at a cost to taxpayers in FY95 of \$30 million. For reasons of cost savings alone, we should consider moving these functions to the International Trade Commission, which has a staff of experts which, with some slight increases, could easily take on this work, and could be counted upon to do it objectively and impartially. The argument that "injury determination" and "margins calculation" should be kept separate has no merit, in my view, and indeed, many of our major trading partners—the EU and Australia, for example—conduct these two functions within the same agency.

CONCLUSION: THERE IS A BETTER WAY

Mr. Chairman, let me conclude by reiterating—as a former "insider"—that there is a better way for the U.S. to go about the business of trade policy and trade promotion.

- Let's have the sense to recognize the success of our major trade partners by moving to one, slim, unified, Cabinet-level trade agency that is unencumbered by dozens of agencies that have nothing to do with trade.

- Let's get trade policy out of the White House, where it's simply another short-term political tool rather than an approach to building long-term prosperity.

- Let's beef up what's good about U.S. Government trade promotion—namely, the "foreign" part of the Foreign Commercial Service—and eliminate the counter-productive deadwood of Trade Development.

- Let's create mechanisms for greater private sector participation in both trade policy and trade promotion.

- Let's eliminate duplication of effort by moving trade remedy functions currently handled by Commerce to the agency where they really belong—ITC.

- Finally, let's stop the whining that we can't bear to cut jobs in the Commerce bureaucracy. GM announced the elimination of 70,000 jobs between January 1993 and March 1994; for Sears, the figure was 50,000; IBM has cut 38,000 jobs. In the same period, Commerce cut fewer than 100 workers out of a total of 36,000—less than three-tenths of a percent. It's time for the U.S. Government to slim down, as these companies have, to make our policy machinery work more efficiently.

We can do so much better, Mr. Chairman, and we can do it at less cost to taxpayers. I appreciate the Committee's efforts to address this question, and I thank you for allowing me to share my views.



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